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Hedged Out:
The Reproduction of Elite Structures in Finance

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Hedged Out:
The Reproduction of Elite Structures in Finance

by

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Hedged Out:
The Reproduction of Elite Structures in Finance

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This dissertation is a study of how and why the "1 percent" remains a bastion of male domination. My focus is the hedge fund industry, a case study of the top earners. Women and minority men are drastically underrepresented in this industry, which is consistent with other high-paying professions. For this research, I conducted in-depth interviews with 45 hedge fund workers and field observations at over 30 workplaces and industry events over a 4-year period in Texas and New York. I find that gender and race, as systems of inequality, allow for the concentration of economic resources among financial elites in this industry. An ideology of masculinity legitimizes and organizes relationships among elite white men that largely restrict women and minority men from accessing the benefits of working in a highly lucrative industry. This helps to explain how the "old boys' club" that dominates the upper echelons of finance becomes established and persists over time. My research demonstrates how the rising income and wealth gap is directly tied to gender and race inequality.

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Chapter 1: The "Old Boys' Club"

The United States has reached a level of inequality that is fundamentally unjust. In the wealthiest nation in the world, one and a half million American families—including roughly three million children—live on less than $2 a day (Edin and Shaefer 2015). Over the past 30 years, wages for the middle class have stagnated while those of the working class have declined by 5 percent (Mishel, Gould, and Bivens 2015); meanwhile, the top 1 percent of earners saw their annual wages grow by 138 percent.

Families who live on $2 a day and those who fall in the "1 percent" may appear to have little in common, yet they both are part of a deeply ingrained system of inequality. This system is equally the product of tax cuts for the wealthy and the deregulation of financial services as it is the outcome of scaled-back protections for workers and welfare reform policies that penalize poor working mothers (Collins and Mayer 2010; Galbraith 2000; Kalleberg 2011).

It is no coincidence that the "1 percent" is predominantly white, male, and married (Guvenen, Kaplan, and Song 2014; Keister 2014). In 2010, men's share of the 1 percent was 97.8 percent, and 90.9 percent of the top 1 percent were white (Keister 2014). Among the top 10 percent of earners, 95.3 percent were men and 84.9 percent were white. Yet most studies of economic inequality do not consider gender and race, except for those who focus on the implications for the low income and poor.

My research focuses on gender and racial inequality among top earners. Gender scholars identify how the upper echelons of business and government are dominated by an "old boys' club" that excludes women and non-elite men (Connell 2005; Enloe 2013). While the processes driving this exclusion has been well-documented (Bielby 2012; Blair-Loy 2005; Fisher 2012; Gorman 2005; Roth 2006b), the literature does not identify how workplace inequality is rooted within a broader structural system of inequality among elites. By investigating this system, I account for how the "old boys' club" becomes established and persists over time. I argue that an ideology of masculinity legitimizes relationships among white men that restrict access for women and minority men to the benefits of working in a highly lucrative career path.

My focus is the hedge fund industry. Hedge funds are private investment firms that pool money from wealthy investors to generate high profits. As a rapidly growing area of finance, the hedge fund industry is a crucial part of the financial sector contributing to both the increasing number of high-paying jobs and their ever-escalating earnings. It is part of the "shadow-banking industry"—credit intermediaries that are less regulated than banks—which has grown over the past 30 years at the expense of the traditional banking sector (Antill, Hou, and Sarkar 2014). Government interventions in failing investment banks during the 2008 financial crisis led investors to transfer funds to this industry (IMF 2014), even though it contributed to bringing about the crisis (Lysandrou 2011). Despite heavy scrutiny in the media (Cassidy 2014), investment in the industry continues to grow.

Hedge fund managers are well represented in the top 1 percent of earners with *average* pay of $2.4 million (Harjani 2014). Even entry-level analysts at established firms earn $372,000 on average. White men make up the vast majority—97 percent—of executives at hedge funds (Barclays Global 2011). As in other high-paying sectors of the economy, women and minority men are drastically underrepresented. My research for this study uses qualitative methods to demonstrate how the rising income and wealth gap is directly tied to gender and race inequality.

To answer the question of how and why gender and race, as systems of inequality, help to account for the increasing income and wealth of top earners in the financial sector, I first turn to the literature on economic inequality in the U.S. This research explains the institutional context in which elite workers consolidate their power and interests. To reach a deeper understanding of why this concentration of income and wealth has occurred over the last 30 years, one must examine the broader structural changes to the economy and its implications for workers. This helps to contextualize growth in the financial sector. Finally, I bring together the research on gender and racial inequality at work in the financial services industry and the theory of patrimonialism, which provides a theoretical framework for conceptualizing how the social organization of elites is reproduced over time.

LITERATURE REVIEW

Rising Income Inequality

The rising incomes and wealth among the top one percent of earners drive current trends in economic inequality in the U.S. (Galbraith 2000; Piketty 2014). There are three leading explanations for this phenomenon. The first argues that high earners have benefitted the most from technology, causing their income and wealth to rise. The second examines how policy changes that favor deregulation and that scale back worker protections have led to an increase in jobs at the top and bottom of the earnings distribution, widening the spread of the distribution. Finally, the third identifies how workers with higher status have more resources to dictate the terms of their employment. In effect, they charge a rent on their social position (Sorenson 2000).

According to the leading explanation for widening income inequality, advancements in technology have privileged highly-skilled workers (Acemoglu et al. 2014). This perspective rests on the idea that wages are tied to productivity: As skill level increases, productivity rises, which elevates wages. This line of thinking deems jobs in the low-wage service sector to be "unskilled" and considers high-wage service jobs, such as those in financial services, as more skilled and, thus, more productive (Autor, Katz, and Kearney 2006; Liu and Grusky 2013). With technological innovation, according to this logic, highly technical jobs will outpace low-skill jobs in gains in efficiency, warranting more rapid growth in wages. However, the pace of technological change does not match trends in inequality nor does it explain the distribution of inequality throughout the economy (Galbraith 2000; Lin 2015).

A second explanation identifies how a neoliberal policy agenda deregulated industry and removed worker protections. First, policies designed to fight inflation in the 1970s and 1980s removed a whole host of protections for the most disadvantaged and vulnerable workers, who now face job options with fewer hours and lower earnings (Galbraith 2000). Second, barriers to international trade and global financial markets have been reduced or eliminated, allowing firms to outsource manufacturing jobs and invest in stock markets worldwide (Kalleberg 2013; Western and Rosenfeld 2011). Finally, a movement to deregulate the financial sector, intended to democratize access to capital, instead resulted in the concentration of capital in the hands of a select few (Philippon and Reshef 2012; Piketty 2014). As a result, jobs have become more polarized over the last 30 years: Low-wage and high-wage jobs have proliferated, yet middle class jobs that once paid decent wages have waned (Autor and Dorn 2013).

A third explanation argues that those with higher status and greater resources have more bargaining power than other workers. In a sense, these people charge a rent on the value of their social and economic status (Morgan and Cha 2007; Sorenson 2000; Weeden 2002). This is done through a variety of channels. Social and legal barriers to entering certain professional fields minimize the competition and maximize access to resources and earnings for people within that labor market (Weeden 2002). Legal barriers include licensing, voluntary certification, and formal education requirements. Informal networking and interactions allow for the formation of social barriers that close off access to workers of lower socioeconomic status. Other examples include harassment, discrimination, and bullying, which disproportionately impact women and minority men (Roscigno, Hodson, and Lopez 2009; Tomaskovic-Devey and Skaggs 2002).

Barriers to access help to account for why the financial sector's share of U.S. corporate profits has tripled over the last 60 years, averaging 15 percent in the post-war era and growing to over to 45 percent before the 2008 financial crisis (Krippner 2005; Tomaskovic-Devey and Lin 2011). During this same period, however, finance's share of employment in the U.S. economy only increased from about 4 percent in 1950 to just over 7 percent in 2001 (Krippner 2005), suggesting that a smaller share of U.S. workers benefit from the rewards of growth in the financial sector than did in the manufacturing sector's heyday. The ability of financial actors to influence politics to favor deregulation, leverage bargaining power within the industry, and stimulate market demand for their products has transferred significant amounts of income to this sector (Hacker and Pierson 2010; Lin 2015; Lin and Neely 2017; Tomaskovic-Devey and Lin 2011).

The previous research suggests that the institutional privileges of the hedge fund industry may help to account for the industry's exceedingly high incomes, even relative to other firms in finance. Hedge funds encounter fewer regulations relative to other financial firms and low tax rates on income from investment returns, and meanwhile benefit from barriers that restrict access to non-elite workers. This creates an environment where the people in higher-level positions wield considerable power over the terms of their employment, including pay. These highly paid workers also determine who gains access to jobs and promotions at their organizations. The social closure account identifies several key mechanisms, such as credentials, networks, and harassment, through which high-status workers close off access to other workers, allowing them to demand higher wages. A closer examination of hedge fund workers' interactions, beliefs, and organizational context illuminates how these mechanisms channel financial resources into the hands of an elite group of predominantly white men.

Work in the New Economy

The growth of the hedge fund industry did not occur in a vacuum. Rather, the industry is the product of broader changes in the U.S. economy that transformed relations between corporations and their employees. In designing this project, I sought to conceptualize the riches of this industry in relation to a substantial body of literature that has documented the rise of precarious working conditions for low-wage, contingent, and contract workers (Kalleberg 2009; Lambert 2008; Pedulla 2013). Financial firms like hedge funds are both cause and consequence of these changes, as their investments influence workers throughout the workforce. In this section, I provide an overview of research on the changing nature of work in the new economy to contextualize employment at hedge funds.

Work transformation refers to the organizational practices of restructuring, frequent downsizing, flexible scheduling, and eliminating management (DiMaggio 2001; Lambert 2008; Vallas 2011). These practices have resulted in a transfer of risks from employers to workers, who are no longer guaranteed lifelong employment in return for hard work and loyal service (Appelbaum, Bernhardt, and Murnane 2003; Hacker 2006). In the so-called "new economy," career advancement happens outside the firm, rather than through internal career ladders (Arthur and Rousseau 1996; Cappelli 1999; Hall

2004; Rousseau 2005). Many workers forge entire careers as consultants, contractors, and portfolio workers (Handy 1989; Kalleberg 2000).

Anticipating changes in the workplace, Charles Handy (1989) advised workers to trade stable employment for independence in a "portfolio career," characterized by diverse skills, achievements, and positions with changing employers. The literature on human resources joined the portfolio bandwagon, advising workers to adapt to insecure employment by pursuing protean (Hall 1996) or boundaryless careers (Arthur and Rousseau 1996). This approach calls on workers to manage professional trajectories, develop skillsets, and cultivate vocations to become entrepreneurial "career capitalists" (Inkson and Arthur 2001; Rousseau 2005). Scholars attribute this mindset to a pervasive enterprise culture, a product of a neoliberal economy that renders individuals as unfettered, rational, self-interested agents (Du Gay 1996).

Sociologists find that workers are now responsible for advancement, self-management, extended work-weeks, and ongoing development in the new economy (Brumley 2014; Vallas and Prener 2012; Williams, Muller, and Kilanski 2012). Allison Pugh (2015) finds that a culture of insecurity conceptualizes workers as autonomous, independent actors who are expected to build broad networks, take professional risks, and be highly dedicated. Job seekers are expected to brand themselves as products to generate demand for their employment (Vallas and Cummins 2015). This requires additional, unpaid work to enhance employability (Smith 2010). Foucault's (1978) *homo economicus*—a neoliberal subject who is a capitalized product—has found new meaning in this literature (Vallas and Cummins 2015).

The remarkable growth of the financial sector has been a pivotal driver of work transformation, making it an apt case to study the new economy. Financial services in particular has played a central role in transforming the organization of work and relations between firms and workers (Davis 2009; Lazonick and O'Sullivan 2000; Lin and Tomaskovic-Devey 2013). Financial investors encourage flexible production, outsourcing, and downsizing, all of which are corporate policies that result in more precarious conditions for workers in a wide variety of occupations (Appelbaum and Batt 2014; Zorn et al. 2006). As a result of these initiatives, workers in finance also increasingly encounter instability in their own workplaces (Ho 2009).

In an ethnography of Wall Street, Karen Ho (2009) finds that investment bankers justify employment insecurity as an outcome of an efficient market. The dominant discourse of insecurity reinforces an ideology that legitimizes the high incomes in finance: The high risks involved are understood to justify the high rewards. According to this mindset, those who put their jobs and money on the line to take risks in the stock market deserve higher incomes than people who play it safe in secure jobs. Ho explains how these investment bankers embody a Wall Street habitus—a collection of group beliefs and practices—that is both a product of working in finance and a construct that helps to maintain the industry's social organization.

Karen Ho theorizes how the ethics and practices of investment bankers shape finance capitalism; however, gender and race are largely absent from her account, aside from a discussion of discriminatory practices at investment banks. I find that gender and race shape the beliefs, norms, and enactments of the Wall Street habitus. Gender and race are also embedded in the industry's social organization, which helps to explain the dominant discourses and ideologies that legitimize the employment insecurity and high earnings in finance.

Workplace Inequality in the Financial Services Industry

Theories of inequality in the workplace inform this dissertation. Scholars have identified the processes that create gender and racial inequality in the financial services industry (Bielby 2012; Blair-Loy 2009; Roth 2006b). The existing research attributes inequality to the following processes: compensation, hiring, scheduling, networking, and promotions. Furthermore, beliefs about gender rationalize these processes. In this section, I will provide an overview of this literature and demonstrate how it presents a theoretical framework for understanding the "old boys' club" in finance.

Finance has the largest gender wage gap of any industry (Catalyst 2015; U.S. Bureau of Labor Statistics 2013): Women in finance earn 70.5 percent of men's earnings (Catalyst 2015). Scholars attribute these pay discrepancies to a number of factors. At the organization level, firms sort women into lower-paying departments (Madden 2012; Roth 2006b). Formalized policies like pay structures and evaluation procedures may appear gender-neutral, yet their ability to eliminate bias depends on the organizational context (Castilla 2008; Madden 2012; Stainback, Tomaskovic-Devey, and Skaggs 2010). Performance evaluation systems allow for subjective decision-making practices that contribute to the gender and racial pay gaps in this industry (Bielby 2012; Castilla 2008; Roth 2006a). Performance pay—often commission based—negatively impacts the earnings of women stockbrokers, who receive inadequate sales support and lower-grade assignments (Madden 2012). These systems especially penalize racial/ethnic minority women and men, who struggle to raise wealth from racially-typed client assignments and segregated networks (Bielby 2012).

In the hiring process, elite firms rely on beliefs about gender, race, and class when they select employees (Elliott and Smith 2004; Gorman 2005; Rivera 2015b). Lauren Rivera (2015) finds that high-status credentials, such as graduating from an Ivy League school, provide institutionalized forms of social and cultural capital that open up access to elite firms. Social capital refers to a person's social ties generated through familial, educational, and professional connections, while cultural capital refers to a person's soft skills, dispositions, and knowledge that serve as markers of social class (Bourdieu 1986). In hiring processes, social and cultural capital provide signals that solicit recognition—often on a subconscious, emotional level—from prospective employers (Rivera 2012, 2015b, 2015a). Gender norms and beliefs also influence hiring decisions on Wall Street (Roth 2006b). For example, managers and coworkers view women with children as less dedicated to work, yet deem fathers to be more serious and accountable (Blair-Loy 2009; Roth 2006b). The recruitment, hiring, negotiation, and training practices also feature overt and subtle forms of discrimination (Babcock and Laschever 2003; Roth 2006b).

Once a person is hired, his or her ability to network is perhaps the strongest determinant of success on Wall Street (Godechot 2014). Yet, women and minority men struggle to access powerful networks (Ho 2009; Roth 2006b), which denies them valuable resources like mentorship and professional development (Bielby 2012). A fraternity environment and a "machismo" culture dominate the industry, limiting women's abilities to find mentors and networks (Roth 2006:72). Colleagues are less likely to invest in relationships with women, because they are viewed as less valuable (McGuire 2002). Informal networking provides no accountability for discriminatory practices and, instead, can exacerbate gender and race inequality (Roth 2006b). The networks created by women and minority men are perceived as lower status and less powerful than white men's networks (McGuire 2000; Wingfield 2014). Exclusion from networks further disadvantages women and minority men as they advance in the industry. Jobs with higher status and pay often arise from changing firms rather than through internal career ladders (Vallas 2011; Williams et al. 2012), which privileges employees who bring profitable networks of former colleagues and customers (Godechot 2014).

Another job requirement that contributes to social inequality in finance is the expectation of long working weeks. Working hours have accelerated in the era of electronic markets (Blair-Loy and Jacobs 2003): Schedules previously coincided with the market hours of 9:30 a.m. to 4 p.m., but now trades can happen around the clock due to global markets and electronic trading. The demands are particularly high in investment banking, the entry point for many careers on Wall Street, where analysts work up to 120 hours a week (Ho 2009). These demanding hours penalize women with families (Blair-Loy 1999; Cha 2013). Women who use flextime, maternity leave, and other family policies compromise their positions at workplaces with demanding hours and incur penalties in wages (Glass 2004; Roth 2006b). Meanwhile, women at firms with more rigid 9-to-5 schedules report less work-to-family conflict (Blair-Loy 2009).

These demands intensify as financial workers advance in their careers. Launching an investment firm epitomizes success in this industry; however, prospective investors are more likely to invest in a founder's startup when the person is perceived to have strong social ties and access to financial capital (Godechot 2014). Racial and ethnic minority men and women struggle to access white wealth (Bielby 2012), limiting their future options for becoming entrepreneurs and launching their own firms. Women entrepreneurs are also less likely to be evaluated as capable of success (Thébaud 2015), because gendered ideas about risk-taking influence perceptions of investment managers (Delaney 2012; Fisher 2012). Men and women alike tend to view women as more risk-averse (Fisher 2012). In contexts like hedge funds where competitiveness and high risk-tolerance are associated with higher profits, masculinity confers credibility and benefits men (Niederle and Vesterlund 2008; Riach and Cutcher 2014). This may help to explain why men earn more than woman in high-paying positions such as stockbrokers and investment bankers (Roth 2006b), despite comparable performance outcomes (Green, Jegadeesh, and Tang 2009).

Finally, beliefs about gender and masculinity legitimize the domination of white men among the upper echelons of Wall Street. Particular performances of masculinity—captured by the icons of the stately, financial patriarch and the macho, plebian trader—are valorized and rewarded (McDowell 1997, 2010). Competitive workplaces like the trade floor create barriers for women who struggle to comply with masculine norms (Levin 2001; Zaloom 2006). These environments feature gendered repertoires for being aggressive, getting physical, and handling pressure (Levin 2001). Women face a double bind because they are expected to conform to norms for men and masculinity, yet are penalized for not acting in accordance to expectations for femininity (Roth 2006b).

The previous research identifies the norms, beliefs, and practices that contribute to gender and racial inequality in workplaces in the financial services industry. I argue that these discriminatory practices are part of a broader structural system of patrimonialism. By applying the theory of patrimonialism to understanding workplace inequality in finance, I contribute to the previous research to account for how the "old boys' club" in finance is established and reproduced over time.

Patrimonialism: Trust, Loyalty, and Tradition

Weber's theory of patrimonialism provides a framework for understanding how financial elites contribute to rising income and wealth inequality. Patrimonialism refers to an organization of authority in which a leader assumes power through networks based on trust, loyalty, and tradition (Weber 2012). Trust, a central organizing factor of patrimonialism, is defined as a willingness to be vulnerable in the face of risk or uncertainty (Luhmann 1990; Mayer, Davis, and Schoorman 1995; Rousseau et al. 1998). Trust derives from a sense of similarity or shared interest (Luhmann 1990), involves a perception of reciprocity (Schoorman, Mayer, and Davis 2007), and depends on institutional context (Driver 2015; Maguire and Phillips 2008). In patron/client relationships, trust provides a foundation for collaboration among non-familial actors (Gambetta 1996).

Gender, race, and class influence whether people perceive one another as trustworthy (Gambetta and Hamill 2005; Harrington 2016; S. S. Smith 2010), due to deeply ingrained beliefs that external markers of one's social position correspond to certain innate qualities, characteristics, and propensities (Lorber 1993). People tend to more easily trust and invest in people who share their race and ethnicity (Glaeser et al. 2000; Simpson, McGrimmon, and Irwin 2007). This helps to explain racial and ethnic disparities in home loans and consumer credit (Rugh and Massey 2010), as institutional lending is an organizational extension of trust and loyalty (Lapavitsas 2006; Schimank 2011).

Loyalty is the second feature of a patrimonial system. The leader provides educational training in exchange for the apprentice's loyalty (Weber 2012). This system of apprenticeship-style education cultivates allegiances, either familial or non-familial, between the leader and protégé. The benefits that the apprentices receive from the training deters them from leaving the organization (Brody and Rubin 2011; Hirschman 1970). Meanwhile, in exchange for providing training, the leader benefits from the rewards of the apprentices' labor, which the leader views as "privately appropriated economic advantages" (Weber 2012:252-3). In other words, the leader feels a sense of entitlement to the rewards generated from training the apprentice. Weber classified this feature as a form of patriarchy, where resources are controlled by and passed down among men.

The third feature of patrimonialism is tradition. Tradition legitimizes a leader's personal authority and the bonds among group members (Weber 2012). Tradition is evident when participants take the structures and practices for granted. Tradition normalizes the patrimonial system leading participants to perceive it as natural or organic. Furthermore, the tradition of inheritance in patrimonial firms is explicitly gendered (Weber 2012). For example, Céline Bessière (2010, 2014) finds that on family farms parents assign young girls and boys to different tasks, leading boys to develop skills deemed of greater value and higher status. Sons are then preferred over daughters for inheriting the family enterprise.

While the previous research mostly applies Weber's theory of patrimonialism to historical or non-Western societies, Mounira Charrad and Julia Adams (2011) have identified the need to examine how patrimonialism arises within industrialized capitalism. Weber predicted that as states modernize, patrimonialism would be replaced with rational bureaucracy. To date, the literature applying patrimonialism to Western contexts examines how it persists *in spite of* modernization, as a remnant of a bygone era (Collins 2011).

Can patrimonialism characterize modern-day capitalist enterprises in the U.S.? Thomas Piketty (2014) has argued that recent growth in privately-owned capital implies the resurgence of patrimonial capitalism, a system where economic and political power-holders access their positions through inherited wealth. Other research references executive influence on stock dividends and compensation as evidence of the existence of patrimonial capitalist firms today (Lachmann 2011). For example, private enterprises like brokerage houses and hedge funds amass wealth due to low capital gains taxes, fewer regulatory restrictions, and offshore accounts.

I argue that the proliferation of less-regulated firms like hedge funds has enabled the resurgence of patrimonialism. Deregulation of the financial sector has resulted in greater uncertainty and instability (Galbraith 2012; Harvey 2011). Contexts of uncertainty heighten the importance of trust-based networks (Cook 2005; Tilly 2001), which are indicative of patrimonialism. Patrimonialism limits the distribution of resources in society, generating a spike in inequality (Piketty 2014). This helps to explain why the financial sector has contributed to widening economic inequality over the past 30 years (Godechot 2012; Lin 2015).

The hedge fund industry is an appropriate case to study patrimonialism within the financial sector. Hedge fund managers are embedded within an institutional context in which social capital and organizational politics guide investment decisions, which leads to rapid stock market fluctuations that generate instability (Godechot 2008; MacKenzie 2003). At hedge funds, high turnover in employees, entire teams, and firms make workers vulnerable and reliant on personal networks (Godechot 2014; MacKenzie 2003). In contexts of instability and uncertainty, like the hedge fund industry, people restrict access to their networks and place their trust in traditional forms of social organization, such as familial, religious, and ethnic communities (Cook 2005; Tilly 2001).

While other research attributes financial activities in this context to organizational politics and social capital (Godechot 2008), I argue that gender and race influence interpersonal networks and, therefore, impact the distribution of resources. This helps to account for why 97 percent of industry assets are managed by white men (Barclays Global 2011). Applying the theory of patrimonialism to the hedge fund industry identifies how gender and race are part of industry-wide mechanisms that restrict access to opportunities, rewards, and resources.

CASE STUDY

Hedge funds are private investment firms that pool investor funds to generate higher returns. They produce revenue by using strategies like betting against the asset ("short selling") and borrowing to increase exposure and risk ("leveraging") when investing in stocks, bonds, commodities, and derivatives. Alfred W. Jones, a sociologist, founded the first hedge fund in 1949. He used statistical models to develop low-risk strategies combining leverage and short-selling. Today, hedge funds invest money for a wide segment of society: Over half of their investors are pension funds, governments, universities, and other non-profit endowments (Preqin 2015). Hedge fund investments impact states, organizations, and workers worldwide.

Hedge fund managers charge high fees that are taxed as capital gains rather than income. This allows for extremely high earnings. With annual incomes of over one billion dollars, hedge fund managers Steven Cohen and George Soros were the highest industry earners in 2014 (Vardi 2015). Yet these high earnings are unevenly distributed within the financial services industry, which has the widest gender wage gap of any industry (Catalyst 2015) and substantial disparities between whites and racial/ethnic minorities (Alden 2011).

Patronage is an ingrained feature of the hedge fund industry. Investors become patrons, passing on their wealth to carefully groomed protégés. For example, Julian Robertson of Tiger Management, the most successful hedge fund worldwide in the 1980s and 1990s, seeded an empire of investment firms that manages over $250 billion in assets

(Altshuller, Peta, and Jordan 2014). Referred to as the "Tiger Cubs" and "Grand Cubs," these firms share similar investment philosophies, strategies, and returns, revealing a system of patronage where one fund manager starts a lineage of firms formed by trust-based ties that are cultivated through an investment tradition. What is less understood is how this system of patronage is both gendered and racialized. In this dissertation, I argue that the patrimonial structures in this industry play a crucial role in privileging white male workers while precluding access to others, predominantly women and minority men.

For examining the reproduction of elite structures among top earners, the hedge fund industry is an ideal case of study for three reasons. First, the high fees and low taxes at hedge funds result in average employee incomes among the top one percent of earners (Glocap 2014). The compensation structures make the industry a relevant case for studying economic inequality in an era when the rewards are concentrated in finance (Godechot 2012; Lin 2015).

Second, the industry is one of the fastest growing and highly profitable areas of financial services because it is less regulated than other areas (IMF 2014). In the U.S., the Securities and Exchange Commission (S.E.C.) requires that a hedge fund investor has a minimum net worth of $1 million and an annual income of at least $200,000. The S.E.C. considers these wealthy investors to be knowledgeable and less in need of legal protection, so hedge funds receive less regulatory oversight than other investment firms.

Less oversight allows hedge funds to pursue riskier investment strategies—like short selling and leveraging—to generate higher returns, which has led to tremendous growth in the industry. In 1990, only 610 funds managed just over $40 billion in assets (Hedge Fund Research 1990-2014). Today, the industry has $2.8 trillion in assets under management, and is projected to grow to $4.8 trillion by 2018 (Citi Investor Services 2014).

Third, the industry is extremely male-dominated. Although there is no available information on the demographic composition of employees in this industry, research has found that white men manage nearly all assets in the industry (Barclays Global 2011; Rothstein Kass 2013) and overwhelmingly dominate leadership positions. Therefore, it is a relevant case for investigating the mechanisms that allow power and authority to become concentrated among elite white men.

The History of the Hedge Fund Industry

The origin of the hedge fund industry lies in the field of sociology. After completing a Ph.D. in sociology at Columbia University in the 1930s, Alfred Winslow Jones channeled his academic training into mastering financial markets. With a background in Marxist organizing in Europe, Jones wrote his dissertation on labor and conflict in Akron, Ohio ([1941] 1999).[1] Later, while working as a financial journalist during World War II, Jones developed an interest in technical market analysis and stock market predictions. Driven by a sense of skepticism that investors could accurately predict the future, he focused his attention instead on the techniques used to mitigate risks that result from unexpected market swings. Jones developed a measure for stock market risk that allowed him to adjust risk in his portfolio, using statistical skills that he developed as a sociologist.

Jones founded A.W. Jones & Co. in 1949, which would later become known within finance as the world's first hedge fund (Mallaby 2011). Today, his firm would be called an opportunistic long/short equity fund, because it made short-term and long-term investments in the stock market (Jaeger 2002). Jones simultaneously made investments in

1 Akron had been a site of recent labor strikes and featured a stark class divide. For his dissertation, Jones interviewed 1,705 residents about their views on labor rights. Jones examined the changing public attitudes about big business, big government, and democracy in the aftermath of the Great Recession. Jones'

some stocks that he expected to appreciate over time and in other stocks that he predicted would decrease in value, using financial instruments that allowed him to profit from both. By reconsidering the market and questioning neoclassical economic theory, Jones developed strategies that allowed him to hedge exposure to potential market losses and profit from the stock market even during market downturns. Hedge funds call these "absolute returns," because their investment performance is not tied to upturns and downturns in the stock market.

Jones called this strategy a hedge because he combined a risk-averse technique of investing in assets that will slowly appreciate over time with two risky and speculative investment techniques: leverage and short selling. Short selling is when an investment manager bets against a security expecting it to fall. For example, in 2014, the global oil markets underwent a major meltdown. In June 2014 oil cost $115 a barrel; by February of 2016, oil hit a thirty year low of $26 a barrel. Imagine that back in early 2014, an investor anticipates the oil crash and prepares to short oil. To do this, first she takes out a loan in the form of a barrel of oil[2] from a bank or other lender. She then sells the oil barrel when she thinks it has reached its peak prices, in this case $115. Then the investor waits for the stock to drop in value. Once the barrel reaches what she thinks is the bottom price—$26 in 2016—she buys the barrel at the lower price and pays her lender back in kind, the barrel of oil. From this exchange, she makes the difference—$89—on each barrel. This is how investors can make considerable profits even when the market falls.

The other technique that Jones developed is called leverage. Leverage refers to a technique in which an investor borrows capital or uses other financial techniques to

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[2] I use the example of a barrel of oil to make the analogy more tangible. In practice, the investor would short a crude oil futures contract, which is a promise to buy a barrel of oil at some point in the future. Investors who trade futures do not actually buy a real barrel of oil, but just buy and sell the futures contract.

increase the scope of the investment.[3] Using the analogy from before, imagine that the price of oil rebounds in the second half of 2017. The investor above anticipates that oil prices will rise, so she invests $100 in oil and then takes out a loan from the bank for $1000 at an interest rate of 6 percent to maximize her investment. At the end of the year, if oil prices increase by 15 percent, the value of her investment will rise to $1265, an increase of $165. If she decided to sell the oil stock, she would pay back the bank $1000 plus $60 in interest. This would leave her with $105 in profits, even though she only invested $100 of her own money. Although leveraging can increase profits, it involves higher levels of risk. If oil prices had dropped by 15 percent, she would have compounded her losses. A hedge fund that is "highly leveraged" has more debt relative to equity, which accelerates its profits or losses.

Within the industry, Jones is identified as the founding father of the hedge fund industry, even though other firms before and during Jones' time used similar strategies. Jones' history as a sociologist and Marxist captures the contrarian mindset valued in this industry. Jones' primary financial innovations pertained to risk management. He combined less risky investment strategies like hedging with higher-risk techniques—like short selling and leverage—as a way to generate consistently high profits. Traditional hedge fund strategies feature both risk-averse and high-risk techniques. Jones' innovations remain at the core of hedge fund investments today.

Alfred Winslow Jones laid the groundwork for a new era of turning money into money, divorced from physical commodities. Central to Jones' investment philosophy is an ability to anticipate shifts in the stock market by analyzing the social dynamics of

[3] Leverage can be obtained through futures, options, margin, and other financial instruments. Futures are a contract between a buyer and seller to make a transaction at a future date and time. Options are a security on a futures contract: An option gives the buyers the right to buy or sell the security, with no obligation. Finally, buying on margin means that an investor buys an asset using a loan from a bank or broker, which requires a down payment, i.e., margin, on the loan.

markets: how manias and panics among investors shape their activity.[4] He used social theory to understand the changing direction of financial markets, and then applied technical and mathematical methods to capitalize on social phenomena.

While hedge fund strategies today are loosely based on Jones' initial innovations, technological advances in the financial sector have made hedge fund investments more theoretically and mathematically complex. New financial technologies like electronic trades, automated credit scores, and virtual contracts enabled financial firms to bundle assets into complex securities—like collateralized debt obligations, credit default swaps, and mortgage-backed securities—to sell in capital markets. This process is called securitization (Davis 2009).

Securitization allows lenders to redistribute assets to other firms like hedge funds and, thus, reduce liabilities on their balance sheets. This has led to a substantial increase in the overall amount of credit in circulation. It has also allowed for the development of more complex financial futures and derivatives vehicles. While securitization decreased the amount of risk involved for each particular entity, it redistributed risk worldwide resulting in unexpected and unprecedented systemic risks that led to the 2008 financial crisis and ensuing global recession (Financial Crisis Inquiry Commission 2011; Grusky, Western, and Wimer 2011; Reinhart and Rogoff 2011).

The advent of securitization fundamentally transformed the nature of capital. In the 19th century, social theorist Karl Marx (1978) identified how capital is created through the sale of commodities. He denoted the circuit M-C-M' to capture how money (M) is invested to create commodities (C) that are sold to generate more money (M'). This

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[4] Jones' ideas echo the late economist Hyman Minsky who understood financial markets as fundamentally unstable and prone to crisis (Reinhart and Rogoff 2011). He explains how social manias create market bubbles: stocks whose popularity among investors leads to inflated prices relative to the stocks' underlying value in the real economy. Eventually these bubbles pop, causing investor panic that drives a sharp crash in the stock price as investors scramble to sell their shares.

money becomes the capital that allows a capitalist to produce more commodities. Securitization has allowed investors like hedge fund managers to transform money through an M-M°-M°° circuit. The creation of capital is no longer tied to physical commodities. Money (M) can now be invested into abstract financial derivatives (M°)—a security that represents a contract for the exchange of underlying assets—that generate more money (M°°).

The increasing size and complexity of the U.S. financial sector has revolutionized the possibilities for generating money. However, these innovations have presented a paradox in risk. Hedge fund investments are designed to measure and mitigate the risks posed by upturns and downturns in the stock market. In this sense, hedge funds minimize possible financial risks for their investors. Yet, hedge fund investments generate systemic risks by contributing to variability both in the stock market and in the labor market. Although hedge fund managers market themselves as using complex strategies to protect their investors from exposure to risk in the stock market, it is not their job to evaluate potential economic and societal risks, like manias and crashes in the stock market. Hedge fund investments contribute to the bubbles (e.g., inflated stock market prices) that lead to financial crises.

METHODS

This dissertation has two central aims: 1) to understand why the "one percent" remains a bastion of male domination, and 2) to examine how an ideology of masculinity legitimizes and facilitates income inequality among the top one-percent. Following the model of previous research on elites (Harrington 2016; Khan 2011; Rivera 2015b), I use qualitative methods to study the inner workings of how firms distribute resources, rewards, and opportunities. While quantitative data can identify the changing size and composition of elites, qualitative methods are better suited to understand how elite structures are reproduced in everyday life. Quantitative research clearly demonstrates that top earners are predominantly white and male, while qualitative research illuminates how and why white men dominate the one percent. In-depth interviews and field observations provide insight into the everyday practices and processes that produce social inequality.

I conducted in-depth interviews with 45 hedge fund workers and field observations at over 30 workplaces and industry events, ranging from 1.5 hours to 3 days, over a 4-year period. Qualitative data collection began with preliminary research in the summer of 2013 and follow-up research from August 2014 to April 2016. I collected data in Texas and New York. I selected Texas and New York as sites to conduct fieldwork because of their significance in the industry. Over one-third of all global hedge fund assets are managed in New York, making it the capital of the hedge fund world. I selected Texas as a second site to ensure my findings are not particular to the Northeast and because Texas is a major industry hub with over 200 firms.

The interviews provide a general account of the individual's professional experience and trajectory as a means to investigate how work is gendered, racialized, and classed among high earners in the new economy. Qualitative methods are best suited to address this aim, as they provide insight into the cultural meanings, ideals, and discourses that people employ to make sense of their experiences (Orbuch 1997; Pugh 2013). Michèle Lamont and Ann Swidler (2014:153) identify how people's accounts of their lives illustrate how "the construction of social categories, boundaries, and status hierarchies organize human experience," which demonstrates how an ideology of masculinity rationalizes inequality.

Interview questions concerned the following topics: career paths, workplace culture and organization, and general industry practices. Respondents detailed their educational background, employment history, internal promotions, firm transitions, firm organization, social relationships, current job responsibilities, work schedule, and professional aspirations.

I recruited respondents via the mailing lists, conferences, and networking events of professional associations; industry forums on LinkedIn; and snowball sampling techniques. Snowball sampling involves recruiting through established relationships with respondents, which is helpful for reaching hard-to-access populations who may not respond to other recruiting strategies (Lofland et al. 2005). It facilitated contact with respondents who were unresponsive to other recruiting techniques.

These recruitment techniques provided a diverse sample of respondents (see appendix). The sample has a balanced number of men (n = 23) and women (n = 22). I oversampled women and minority men to collect comprehensive data reflecting a diverse range of experiences. The sample features thirty-three respondents who are white. Thirty-eight respondents were U.S. born, and eleven are either first- or second-generation immigrants. The sample also includes two non-U.S. nationals who live and work abroad. Twenty-four respondents are over forty years old. Thirty-three have more than a decade of industry experience, of which fourteen have tenures of over twenty years. Respondents have been employed in the industry for a minimum of three years, except two, who had recently launched funds based on professional experience in fields related to their strategies. A majority of the sample manages investments or works with investors in the "front office," while six have support positions in what is called the "back office." The latter mostly work in operations, accounting, and administrative positions. Respondents reflect a range of firm sizes, types, and strategies, from large investment banks to single-employee firms. Considerable breadth in terms of experiences in the industry is captured by this sample's diversity in gender, race/ethnicity, nationality, age, experience, and job function.

To be considered for the study, prospective respondents were asked whether they were currently or previously employed at a "hedge fund." Within the industry, what constitutes a "hedge fund" is open for debate, a topic of discussion that often arose in my field observation and interviews. This is because a traditional hedging strategy refers to a type of investment that hedges risk. Today, however, hedge funds employ a range of strategies. The S.E.C. defines a hedge fund as a limited partnership that pools money from high-net-worth investors to invest in stocks, real estate, land, currencies, or virtually any other investment (S.E.C. 2012). Because of this distinction, I allowed people to self-identify as currently working or having worked at a hedge fund. Then, before our interview, I conducted online research to verify their employment history and firm type. When necessary, I searched the S.E.C. to verify the firm type.

Interviews were conducted in person or over the phone, were audio-recorded, and lasted between one and three hours. The respondent selected the location, which included cafes, homes, or offices. For respondents located outside of New York and Texas, I conducted interviews over the phone, a common mode for meetings in this industry.

Immediately after the interview, I wrote field notes that detailed the person's appearance, mannerisms, demeanor, and tone. I also included details on our interactions before and after the interview as well as described the context of the interview. Finally, I reflected on my initial response to the interview, including details about the wording of questions, the relevance of emerging themes, and the need for elaboration or follow up in future interviews.

Characteristic	Number
Age	
20-29	6
30-39	15
40-49	16
50-59	7
60-69	1
Education	
Doctorate	9
Masters	13
Bachelors	23
Gender	
Women	22
Men	23
Race/Ethnicity	
Other/Multiracial	1
Middle Eastern American	1
Black/African American	2
Hispanic/Latina/o	4
Asian American	5
White	32
Role	
Investments	24
Sales	15
Support	6
Tenure	
Less than 10 years	12
11-20 years	19
More than 20 years	14

Table 1: Respondents' Characteristics.

Field observations are necessary to gain a deep understanding of informal norms and practices. I first acquired knowledge of and access to hedge funds through three years of professional experience conducting industry research for a large investment firm. Returning to the field with a sociologist's perspective provided fresh insights on a rapidly changing industry. By acquiring a nuanced understanding of the industry's social world, I was able to contextualize data from interviews and surveys. I conducted fieldwork at industry social events like conferences, investor panels, and networking functions. Opportunities to take field observations also arose during interviews. For example, 10 respondents allowed me to observe the social organization and physical environment at their workplaces.

All transcripts and field notes were coded and analyzed following an inductive approach (Charmaz 2006). Coding began with identifying fragmentary data to characterize and label analytical themes. Next, I implemented a series of focused coding to further investigate theoretically significant themes (Emerson, Fretz, and Shaw 2011). Primary themes initially emerged around professional goals, training, self-presentation, reputation, motivation, building relationships, compensation, career planning, and job transitions. From here, secondary themes concerned network closure, fraternal bonding, mentorship and apprenticeship, familial investor bases, and monetary flows among firms. To ensure anonymity, I assigned each respondent a pseudonym, removed all firm identifiers, and altered minor details like school names.

Overview of Dissertation

This dissertation investigates how gender and race facilitate the concentration of economic resources among the working rich. Chapter 2 provides the historical context for how the financial sector has contributed to the recent boom in income and wealth inequality. Specifically, I examine the changing context of masculinity on Wall Street: from the community-banking model of the 1950s and 1960s to the investment-banking era of the 1980s and 1990s. I contextualize the proliferation of hedge funds within the rise of “shadow banking” in the early 2000s, which brought about a new masculinity on

Wall Street that I call *hedge*monic masculinity. Each era corresponds to different archetypes of masculinity. I argue that changing beliefs about masculinity rationalize the higher and higher incomes garnered in the financial services industry.

The next four chapters follow the narrative arc of a career in the hedge fund industry: getting in, moving up, reaching the top, and running a firm. Chapter 3 examines how people find opportunities to work at a hedge fund. I find that hiring committees vouch for new hires based on shared social networks and cultural capital, which more easily ensures and legitimizes the hiring of white men, while hindering the advancement of women and minority men. I call this phenomenon a "voucher for *hedge*monic masculinity." The prevalent discourse in the industry is a rags-to-riches story of upward class mobility; however, behind this discourse are accounts of the importance of elite networks, prestigious credentials, and family ties. I provide an overview of four primary tracks to the industry and how each is based on designations of "fit," which is almost wholly determined by gender, race, and class.

In Chapter 4, I examine how people advance in the hedge fund industry and update the masculine worker ideal to account for work transformation in the 21st century. On Wall Street, work transformation has shaped cultural values, norms, identity, social capital, and compensation. Gendered cultural ideals for elite finance workers include expressing a passion for the work, upholding norms for professional risk-taking, identifying as a portfolio worker, demonstrating a sense of loyalty to personal networks, and partaking in a compensation schema that reflects a risky wager between an employer and employee. I argue that these workers manage their careers like an asset. While this ideal worker schema appears gender neutral, it reflects a set of discourses that reinforce an ideology of *hedge*monic masculinity and legitimize the underlying system of patrimonialism that organizes the industry.

Chapter 5 examines the necessary condition for someone to launch their own hedge funds, allowing them to reach the "top" of their careers. I find that hedge fund managers express a goal of achieving financial security. Opportunities arise from personal ties to wealthy investors, a manager at a previous employer who provides the training and funding, and financial distress at one's previous employer. I argue that gender structures access to these opportunities.

Chapter 6 examines how hedge fund managers organize their firms. I apply Joan Acker's (1990) theory of gendered organizations to understand the implications of transformations in corporate governance for gender inequality in a so-called flat organization, i.e., one with little management and bureaucracy. I examine how the organizational logic of "flat" firms contributes to the construction and legitimization of gender hierarchies in five ways: through the streamlined "nexus of contracts," the standard division of labor, the dominant ideologies, the performance evaluation norms, and the trust-based networks.

CONCLUSION

In this dissertation, I identify the processes through which an ideology of masculinity legitimizes the dominant relationships among white men and the uneven distribution of opportunities and rewards in this industry. While gender and race structure social ties among white men, they simultaneously contribute to the exclusion of women and minority men. The theory of patrimonialism provides a framework for understanding how gender and race are part of industry-wide mechanisms that account for the role of financial elites in rising income and wealth inequality. I argue that gender and race, factors largely omitted from the existing research on rising income and wealth inequality, are crucial for understanding dynamics among the working rich.

Chapter 2: From Financial Steward to Flash Boy

Masculinity refers to the social ideals and expectations for men in a particular context. Gender scholars identify how masculinity confers status and privileges to certain men, which helps to explain why gender inequality persists (Carrigan, Connell, and Lee 1985; Connell 2005; Connell and Messerschmidt 2005; Cooper 2000; Messner 2007).

Hegemonic masculinity refers to a social organization that asserts, upholds, and legitimizes the dominate position of certain men in society (Connell 2005). Raewyn Connell introduced the concept to capture "the configuration of gender practice which embodies the currently accepted answer to the problem of legitimacy of patriarchy, which guarantees (or is taken to guarantee) the dominant position of men and the subordination of women" (p. 77). The theory identifies how masculinity and femininity are varied, contextual, and relational, rather than fixed constructs. Hegemonic masculinity refers to both ideal types—the cultural ideals for masculinity in a particular context—as well as to how gender hierarchies are formed through various forms of masculinity and femininity.

In this chapter, I trace three eras of change in the financial sector and the corresponding hegemonic ideology of masculinity. I begin in the era following World War II when community banks dominated the financial sector. In this era the ideal for masculinity was the community banker as financial steward: A figure whose local knowledge guided investments in small business and home ownership. Then I examine the rise of investment banking in the early 1980s and 1990s. During this era, the shrewd investment banker who made corporations "lean and mean" was the archetype of masculinity. Finally, I investigate the current era and the rise of shadow banks, which have brought an ideology of *hedge*monic masculinity. Each era of masculinity corresponds to a different ideology that rationalizes the increasing incomes.

	Community Banking	Investment Banking	Shadow Banking
Scale	Local	Global	Global
Persona	Financial Steward	Master of the Universe	Flash Boy
Movie	*It's a Wonderful Life*	*Wall Street*	*The Big Short*
Method	Commercial & Home Loans	Junk Bonds & Leveraged Buyouts	Derivatives & Electronic Trading

Table 2: Three Eras of Masculinity in Finance.

COMMUNITY BANKING: 1945-1979

Community banking reigned during the era of "shared prosperity" following World War II. In this model of banking, community banks, rather than large retail and commercial banks, took deposits and gave loans to local businesses and consumers in exchange for a transaction fee and interest-rate charge. Laws prohibited banks from establishing branches in other states, so community banks were small relative to the retail banks of today. Instead of targeting large customer bases, these banks catered to the local community's needs, as interpreted by bank managers and loan officers.

The community banker was the archetype for masculinity in finance during the post-war era: A financial steward committed to preserving what he believes is the local community's social and economic wellbeing. As C. Wright Mills (1956) detailed in *The Power Elite*, men from the old upper-class oversaw the banks, while those with upper-class aspirations worked as high-level "operations" men of the banks. These upper-class men controlled access to credit based on their idea of how to best cultivate economic growth in local neighborhoods and business communities. The hegemonic masculinity of the era upheld upper-class men's monopoly as credit lenders, casting them as prudent stewards of capital.

This community banker ideal for masculinity in finance is captured in the 1946 classic movie *It's a Wonderful Life,* whose widespread critical acclaim and popular reception speaks to its lasting cultural resonance. The protagonist, George Bailey, inherits his family's building and loan company—a depository financial firm designed to provide residential mortgages and promote home ownership. Feeling overburdened from his responsibilities to his family and community, Bailey attempts suicide after the local bank-owner, the greedy Henry Potter, absconds with a deposit large enough to bankrupt Bailey's lending company. A guardian angel shows Bailey the potential aftermath of his death: His hometown becomes overrun by predatory lending and corruption. After realizing his role in providing valuable credit necessary for the community's wellbeing, Bailey prays to return to life and his prayers are answered. The film highlights the central figure of the community bank and banker in providing loans to deserving small businesses and prospective homeowners.

The preeminent role of men as gatekeepers in the community-banking model is accounted for in Raewyn Connell's (1987) classic book *Gender and Power*. According to Connell, gender inequality persists through men's dominant position in the labor market, in the government, and in the heterosexual nuclear family. Connell identifies the role of creditworthiness in delineating social value in a capitalist economy, which renders women in a subordinate economic position because they are less likely to be deemed credit-worthy by lenders. Men's command over community banking contributed to the prevailing gendered division of labor of the time.

A credit-fueled suburban lifestyle organized the gendered division of household labor in the post-war era. Lenders privileged heterosexual families who upheld a breadwinner/homemaker model, in which a father performed wage labor outside the home and the mother performed unpaid labor within the home. These middle-class households, primarily white families, became homeowners through loans subsidized by the Federal Housing Authority (FHA) and the Veteran's Association (VA). Consumer debt also grew tremendously during this era: In 1958, only 27 banks offered credit cards, but by 1967 1,500 banks serviced an estimated 11-13 million active accounts (Trumbull 2012).

This gendered division of labor, however, was largely restricted to white families, both due to job discrimination and to discriminatory lending practices that denied access to credit for families of color (Hyman 2012). During the post-war era, the FHA and VA insured home loans to make them more affordable and accessible to white Americans, yet systematically denied insurance for mortgages held by people of color and other borrowers in neighborhoods dominated by racial/ethnic minorities (Katznelson 2005). For example, racial and ethnic minorities held less than 100 of the 67,000 G.I. insured mortgages in New York and New Jersey. Despite efforts to combat and prohibit discriminatory lending—spearheaded by the National Association for the Advancement of Colored People (NAACP)—banks continued to frame minority neighborhoods as a risky investment, even though the wealth of black homeowners and the value of their homes increased during this period (Hyman 2012).

In the community-banking era, local bankers extended access to credit in the form of auto, home, and small business loans to meet the needs of the community; however, access to credit was organized to uphold a class, gender, and racial order. Members of the upper class controlled who was deemed creditworthy—white male heads of households—and who was not: women and minority men. Thus, the distribution of credit maintained the social organization of the local community. The era's configuration of hegemonic masculinity naturalized the financial steward's elevated status and monopoly over lending. While the financial steward model of masculinity reflected a value in the local community's interests, the investment bankers of the 1980s and 1990s understood themselves as acting on behalf of the stock market itself.

INVESTMENT BANKING: 1980-1999

In the late 1970s and 1980s, a series of policy reforms deregulated the financial sector and opened up global capital markets. This gave way to the rise of investment banking. After restrictions on interstate branch banking were removed, community banks dwindled and were replaced by national retail and commercial banks (Amel and Jacowski 1989). Investment banking surged with a new ideology of "shareholder value" (Ho 2009), a model of corporate governance that prioritized maximizing shareholder dividends rather than product development (Lazonick and O'Sullivan 2000). Aggressive investment practices like junk-bond sales, leveraged buyouts, and hostile takeovers became emblematic of the ethically dubious, emerging frontiers of finance. Meanwhile, becoming rich by making scrappy transactions on the crowded floors of the stock market turned traders into legends (Zaloom 2006). As the stock market grew during the "bull markets" of the 1980s and 90s, investment bankers and traders alike interpreted this growth as proof that their efforts to correct market inefficiencies worked (Ho 2009).

During this era, new reigning ideals for masculinity appeared in the media icons of the macho trader and the savvy investment banker (McDowell 1997). Investment bankers became the "Masters of the Universe," a term coined by Tom Wolfe in his 1987 satiric novel, *Bonfire of the Vanities*. Wolfe used the title to describe young men driven by greed to make millions by investing in junk bonds and leveraged buyouts. Investment bankers of the era mastered the stock market by being bold and aggressive. The "Masters of the Universe" archetype reinforces masculine cultural ideals that value greed, ambition, and risk-taking.

The limitations of greed and ambition are explored in the 1987 Hollywood hit *Wall Street*, which follows the opportunistic young stockbroker Bud Fox. Fox is hired and mentored by his hero, the wealthy Gordon Gekko who is a "corporate raider" performing hostile takeovers of companies. He buys a majority of stock in a company to gain voting rights and then puts pressure on executives to sell business units and lay off employees to increase the share price. Gekko trains the impressionable Fox to engage in illegal insider trading and run companies into the ground. Gekko famously says, "Greed is good," which justifies any measure necessary to make money. But when Gekko targets the company where Fox's own father works as an aircraft mechanic and heads the labor union, Fox realizes that Gekko's behavior is unethical. But it is too late: Fox is arrested for insider trading and helps the authorities collect evidence to convict Gekko. Fox and Gekko represent the downfall of Wall Street's "Masters of the Universe," a consequence of greedy and risky behavior.

The "Masters of the Universe" archetype for masculinity captures the prevailing gender and racial order in financial services of the 1990s and early 2000s (Bielby 2012; Madden 2012; Turco 2010). Aggressive workplaces like the trading floor and the investment bank privilege men and penalize women who struggle to uphold norms for masculinity and are held to different standards when they do (Levin 2001; Roth 2006b; Zaloom 2006). Louise Roth (2006) identifies how women in finance are expected to both conform to norms for masculinity and follow cultural ideals for femininity. Racial/ethnic minority men who comply with industry norms for masculinity risk being perceived as too aggressive, threatening, or unethical (Jett and Chartrand 1999; Wingfield 2010). Meanwhile, networks dominated by white men tend to exclude women and minority men

(McGuire 2000, 2002). The "Master of the Universe" icon of masculinity naturalizes the white-male domination of this industry, as men are cast as better suited to make cutthroat deals.

The investment-banking era's implications for social inequality extend beyond the financial sector. The shift in corporate governance from retaining and reinvesting earnings to downsizing labor, flattening organizations, and redistributing corporate profits to shareholders had grave implications for stability for workers throughout the economy (Fligstein and Shin 2007; Kalleberg 2011; Lazonick and O'Sullivan 2000). To increase profits, financial investors have pressured firms to downsize, de-unionize, and outsource and computerize jobs (Jung 2015). These measures subsequently increased managerial positions and earnings (Goldstein 2012). Rather than cutting costs (Fligstein and Shin 2007), maximizing shareholder value redistributed earnings from workers to executives (Boyer 2005; Shin 2014). The rise of the investment-banking model of finance restructured firms and resulted in less negotiating power, fewer protections, and more instability for workers.

In sum, in the investment-banking era, investment bankers acquired the status of "Masters of the Universe" who conquer the stock market by being ambitious, aggressive, and bold. This era of masculinity featured distinct obstacles for women and minority men in the financial services industry. The implications of this era of masculinity extend beyond workplaces in finance: The rise of a shareholder value ideology has degraded the conditions of American workers throughout the labor market. While this ideology continues to reign on Wall Street, the archetype for masculinity has changed over the past 20 years, as a result of growth in the hedge fund industry.

Shadow Banking: 2000-present

At the turn of the 21st century, the culminating effects of deregulation, globalization, and financial innovation led to the rise of the shadow-banking industry, and with it a new icon of masculinity. Shadow banks refer to credit intermediaries that feature less regulation relative to traditional banks.[5] Hedge fund, venture capital, and private equity firms are all examples of shadow banks. Shadow banks are the regulatory "black box" of finance. Although regulation of their activities increased with the passage of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* in 2010, they still receive less oversight than their counterparts at the "too big to fail" investment banks.

Shadow banks have proliferated over the past 30 years at the expense of the traditional banking sector. Shadow banking grew from less than 4 percent of the total U.S. business sector in 1974 to as much as 37 percent in 2013 (Antill et al. 2014). Shadow banks increased their assets under management worldwide from $26 trillion in the early 2000s to $80 trillion in 2014 (A.A.K. 2016). In the aftermath of the 2008 financial crisis, government regulations and interventions in the failing investment banks led investors to transfer funds to this less-regulated sector of the financial services industry (IMF 2014). While shadow banking remains small relative to traditional banking, it captures the fastest growing parts of finance. It also presents potentially significant risks to the economy's wellbeing, because of the opacity of shadow banks' activities (International Monetary Fund 2014).

Growth in shadow banking is perhaps a sign of a retreat from bureaucratic institutions and a shift towards smaller firms funded through trust-based networks.

[5] Investment manager Paul McCulley first introduced the term "shadow bank" in 2007 to describe investment vehicles that allowed banks to engage in risky activities that do not appear on their balance sheets (A.A.K. 2016). Today, regulators require investment banks to include these vehicles on their balance sheets; yet, the term shadow bank still refers to less-regulated affiliates of investment banks. It also refers to other firms that provide lending services yet receive less regulation.

Charles Tilly (2001) predicted the return of networks of trust as the fabric of enterprise in late-stage financial capitalism. To guard against risk and uncertainty, people place trust in strong forms of social organization, such as familial, religious, and ethnic communities. Highly uncertain environments, like financial crashes and crises, lead trust networks to close off and restrict social exchange (Cook 2005). In an era of repeated financial crises (Harvey 2011), investors may lose trust in large financial institutions and instead build local networks that provide a sense of stability. Thus, recent growth in the shadow-banking industry suggests a retreat from bureaucratic institutions as investors lost confidence in the "too big to fail" financial institutions. Shadow banks capture a movement towards less formal firms driven by networks of trust.

A *hedge*monic masculinity has emerged in the shadow-banking era. *Hedge*monic masculinity is my term that refers to the dominant ideology, discourses, and practices that justify men's power in the hedge fund industry. This ideology reflects a set of ideals for men to uphold anti-bureaucratic ideology, entrepreneurship, and risky investments in a turbulent market. This configuration of masculinity captures how the founders of hedge funds, private equity, and venture capital firms establish organizations that are stripped of layers of bureaucracy and management to protect the executive's autonomy and privileges. With less regulation, transparency, and bureaucracy than their counterparts at investment banks, the founders of these firms wall themselves off—like garden hedges—from institutional oversight and shield themselves from the risks of a turbulent market. Hedging investment strategies are designed to minimize risk and increase profit from the stock market even during market downturns. Thus, *hedge*monic masculinity reflects a logic of social, professional, and economic risk management.

*Hedge*monic masculinity privileges networks of trust and loyalty, as these social ties provide certainty in an uncertain world. The leading ideals captured by *hedge*monic masculinity reflect the importance of networks of trust in an environment of heightened risk. Considerable research documents how trust is a crucial component of relationships within financial services, particularly between lenders and creditors, because of the uncertainty and risks involved in investing (Lapavitsas 2006). The concept of *hedge*monic masculinity provides the link between a modern financial sector emblematic of an advanced industrial economy and the existence of a system of patronage reminiscent of a by-gone era.

The 2015 blockbuster hit and Oscar best-picture nominated *The Big Short* captures the dominant ideology driving *hedge*monic masculinity. The movie—based on Michael Lewis' (2011) bestselling book—portrays three hedge fund managers who predicted the bubble in the home-mortgage industry and made billions short-selling the investment banks who invested in collateralized debt obligations (securities of pooled and repackaged assets like home loans). The heroes of this story are not the suave, attractive bankers of previous eras; instead, the protagonists are socially awkward, eccentric nonconformists who fight a rigged system. The movie reflects an anti-bureaucratic ideology pervasive in the industry. This ideology casts the big banks and the government as warranting suspicion and distrust. Investments, rather than regulatory and legal interventions, are understood as the tools for correcting wrongdoing in the system.

The shadow-banking era features the end of Tom Wolfe's "Masters of the Universe" and the rise of the "Flash Boys," a term coined by Michael Lewis (2014) in his recent book on high frequency trading, a type of high-speed algorithmic trading. Electronic trading has exponentially increased the speed of trade execution and has outpaced the trading floor of the 1980s and 1990s in terms of size and number of trades (Zaloom 2006). Whereas before traders had to execute trades verbally in person or on the phone; today, computer trading programs run electronic trades in a fraction of a second.

The Flash Boys is a reference to the "Flash Crash" of 2010 when a single trader, operating out of his parents' home in London, drove a 1,000-point stock market crash in 36 minutes (Bowley 2010). Technical factors overwhelmed the circuit breakers designed to halt rapid price drops in the stock market and, instead, exacerbated the plunge, which resulted in $1 trillion in losses, the steepest one-day fall on record (Rooney 2010). Thus, Flash Boys are lone, tech-savvy operators who can move the market in a matter of seconds.[6]

This new era of *hedge*monic masculinity reflected in the archetype of the Flash Boys is the topic of this dissertation. It is no longer the investment banks, but rather actors in the alternative, shadow-banking sector that provide a key to understanding why white men dominate the "winners" of widening income and wealth inequality. The value placed on independent thinking and trust-based networks rationalizes the increasingly high incomes.

CONCLUSION

Alongside transformations in the U.S. financial sector, a shift in the meaning of masculinity has occurred. The new masculinity is a response to the increasing complexity, uncertainty, and risk posed by modern financial markets. *Hedge*monic masculinity reflects an ideal for independent thinking that enables someone to outsmart a turbulent market. Meanwhile, this ideology also values networks of trust and loyalty, as these stronger forms of social capital provide a sense of certainty. While the ideals for independent thinking and trust-based networks seem contradictory, these are both responses to an environment of elevated risk and uncertainty.

[6] The trader responsible for the crash was later convicted of financial fraud and market manipulation (Anderson 2015).

The next four chapters follow the path of a career in the hedge fund industry: getting in, moving up, reaching the top, and the aftermath. I investigate how the social organization that creates *hedge*monic masculinity places value in trust and loyalty, which helps to explain why people gain access to this highly lucrative part of finance. I demonstrate how *hedge*monic masculinity naturalizes the desired characteristics associated with masculinity and the relationships that form among elite men, which legitimizes their domination of the industry. This creates an environment that allows elite men to demand high incomes.

Chapter 3: The Voucher for *Hedge*monic Masculinity

Despite a widespread belief in meritocracy, hiring practices at elite investment firms discriminate on the basis of gender, race, and class (Gorman 2005; Rivera 2015b). Lauren Rivera (Rivera 2015b) finds that top-tier investment banks, consulting agencies, and law firms predominantly base hiring decisions for entry-level positions on perceptions of cultural fit, which is a euphemism for social class. Rivera concludes that gender and race are secondary, largely tied to social class status. Yet a substantial body of experimental research documents how gender and racial stereotypes penalize women, especially mothers, and minority men in the hiring process (Benard and Correll 2010; Correll, Benard, and Paik 2007; Gorman 2005; Pager, Bonikowski, and Western 2009).

While this research has significant findings about discrimination in the candidate selection and interview processes, it largely focuses on bias at the firm level, which limits our understanding of how hiring takes place within the context of a specific industry's labor market. In this chapter, I examine how and why people gain access to a job in a particular labor market: the hedge fund industry. The dominant discourse in the industry is a rags-to-riches story of upward class mobility; however, behind this tale are accounts of the importance of elite networks, prestigious credentials, and family ties.

I find that social and cultural capital more easily secure access for white men while hindering the advancement of women and minority men. I call this dynamic a voucher for *hedge*monic masculinity, because gatekeepers at firms vouch for new hires based on shared social networks and cultural capital. This hedges the risks involved in hiring someone perceived as an "unknown," i.e., without personal connections. *Hedge*monic masculinity is upheld through hiring practices, which construct social boundaries around who does and does not gain access to the industry. Access is granted to women who comply with the norms of *hedge*monic masculinity without compromising normative femininity.

In this chapter, I start by exploring the motivations people have for entering the hedge fund industry, which captures both common discourses and beliefs about masculinity held by people who work in the industry. Next, I document how people are hired at a hedge fund, focusing on the processes that simultaneously include and exclude people on the basis of gender, race, and class. Then I examine the leading "founding myth" discourse in the industry about upward mobility and then compare it with the paths people recount taking to the industry. Specifically, I detail four common paths taken to hedge funds: the social circle track, the finance track, the academic track, and the trading track.

MOTIVATIONS: AN ABILITY TO MOVE MARKETS

The motivations that led people to join the hedge fund industry reflect ideals for *hedge*monic masculinity in the financialized new economy. The people I interviewed described hedge fund managers as mavericks with a passion for innovative investing and a talent for influencing the direction of world markets. The meaning of masculinity in finance is no longer about the icons of the wise financier or the scrappy trader (McDowell 1997). Instead, the icon of *hedge*monic masculinity is the intellectual who has eschewed the rules of the establishment and operates on his own terms. Men and women alike reproduce discourses about autonomy, intelligence, and innovation that uphold an ideology of *hedge*monic masculinity. This archetype legitimizes and valorizes the practice of starting a hedge fund, which grants less oversight and accountability than in other firms. It also allows hedge fund managers to construct boundaries around who gains access to the immense wealth accumulated in this industry.

"I knew they were the cowboys, I knew they were the smart ones," Cynthia[7] recalled, explaining what cultivated her interest in working at a hedge fund. Cynthia is a white woman who entered the financial services industry in the 1970s. During her experience, first in investment banking and then later in public relations, Cynthia had hedge fund clients and "knew how they operated." Hedge fund managers had developed a reputation for being independent, daring, and perhaps even reckless, which appealed to Cynthia. Her account captures how the industry has become known as the anti-establishment segment of finance, where people go to flee bureaucratic banks, corporate politics, and overbearing managers. While Cynthia called hedge fund managers cowboys, others referred to them as mavericks, nonconformists, or flash boys. These terms reflect the leading discourse about hedge fund managers being independent, anti-establishment, and even contrarian, which upholds an ideology of *hedge*monic masculinity.

When Cynthia's friend Bert, who was launching a hedge fund, asked her to join his team, she had a positive image of the inner workings and high-status reputation of the industry. She recalled how Bert said to her, "It's just crazy how much money you are going to be making. Come and be with me." Cynthia acknowledged how the money added to the allure and prestige of the industry. She explained, "I knew he was at a hedge fund that was making all this money. It was an industry that I knew about, and I looked at them as the best: really smart, making a lot of money, really wired, and very polite . . . The hedge fund industry, that's what so great about it." The descriptors Cynthia used to describe hedge fund managers—smart, wealthy, wired, and polite—reflect the ideals for

[7] All first names are pseudonyms and school and firm names are changed or anonymized to ensure privacy.

*hedge*monic masculinity and suggest an association of class respectability, which is fitting for an industry that began by managing the money of wealthy individuals and families. For workers in the industry, the prospects for upward mobility and elite status are part of the appeal.

Others told me that they were motivated by the opportunity to outperform the wealthy elite. For example, Vincent, who is a white man in his late 40s, explained how he stood out at his first job out of law school:

> Everybody went to Harvard. I went locally to Rutgers. It's a good school, but I certainly stood out. And I just didn't think it was the path for me. That wasn't anybody else's doing. It was just me being a savvy street kid from New York saying, "If you can't beat 'em, you join 'em, when they won't let you join 'em, you beat 'em." And so I made the switch from law to trading at an investment bank, and just rose.

Vincent felt excluded from the elite networks of his colleagues in law, which motivated him to outperform them in a more lucrative career path. Vincent believed that he could not achieve the ideals for elite masculinity in law so he changed career paths to reclaim it.

Margaret, a 30 year-old Asian American investment analyst, described her decision to move over to the hedge fund industry from investment banking as a rational choice for advancing in her career, the product of weighing her likes and dislikes. However, latent in her account is a story about the prestige and reputation of the industry. This became clearer when I asked her to describe how working at an investment bank differs from working at a hedge fund. She responded, "The caliber of people that are hired, and it is very correlated to compensation, hired by a hedge fund." Margaret then paused and said, "They look for something different. It's a combination of both very raw ambition but also a certain amount of creativity that comes from specifically loving public markets." Margaret described the people who work in hedge funds as being more highly motivated, more creative, and more passionate about investing than in investment banking.

Margaret later recalled how a sense of influence and immediacy of world financial markets appealed to her:

> The beautiful thing about being able to invest in the public markets is that everything that happens in the world impacts what you do, and you get to invest in everything that happens in the world . . . those things require you to really be on at all times, and the only way you can do that successfully is if you actually really like it, or else it would be horrible. And so that's the type of person [hedge funds] look for. I think that's what really defines a hedge fund and why it is that it can do so well, because you do have a tremendous amount of very intelligent people who are looking to grow that number [the bottom line].

Activity in world financial markets never ends. This made Margaret feel engaged with world events. It also gave her a sense of significance, purpose, and progress in a way that is identifiable and measurable in the fund's rate of return.

In her ethnography of investment banking, Karen Ho (2009) identifies how a culture of smartness and self-importance permeates investment banking and draws graduates of elite universities to the industry. Margaret echoes this culture in her account, but also demonstrates how the culture of alternative financial services like hedge funds differs: For her, drive, creativity, and passion sets them apart. According to Margaret, intelligence is not enough, because Wall Street is brimming with highly-educated elites. From her point of reference as an Ivy League graduate, being smart and having a prestigious degree does not differentiate her from her peers. What sets apart people in hedge funds, according to this mindset, is their ability to innovate and invest with a macro perspective of world markets. The hedge fund is understood as the ivory tower of finance, because it has enough money to “move markets”—change the price of stocks, bonds, and currencies in stock markets around the world. While Ho’s investment bankers understood themselves as making firms and therefore markets more efficient, hedge fund workers view themselves as influencing major current events and economic progress worldwide.

THE HIRING PROCESS

The people I interviewed recounted lengthy job search and application processes. For example, June, an Asian American woman with 10 years of experience with investment analysis, recounted how she submitted over 200 applications to find her last job. Others confirmed that her experience is the norm in this industry. Several stressed how it was always better to apply for a job when you already had one. Those who had been laid off or quit generally described longer job searches and less appealing prospects.

Once a person’s resume rises to the top of the large stack of applications, he or she may be invited for a series of interviews. The people I interviewed recounted participating in processes of inclusion and exclusion that were framed as a simple designation of “fit.” While other research identifies how this discourse of fit is a euphemism for social class (Rivera 2015b), I find that it also contains implicit meanings about gender and race. First I examine how this discourse of fit reinforces inclusion based on homophily: the tendency for similar people to associate (Smith, McPherson, and Smith-Lovin 2014). Then I investigate how “fit” becomes a cover for more overt forms of discrimination at work.

Inclusion: The Chemistry Aspect

The people I interviewed described the interview process as primarily concerned with whether or not the person is a "good fit." In general, people recounted the interview process in gender, class and race neutral terms: Interviews are a time for both the employer and prospective employee to determine if the position is a good fit. Several defined this as whether or not someone "clicked," while another explained it as "chemistry."

Former hedge fund manager, Vincent now advises hedge fund clients at a large investment bank. He assumed an advisory role after selling his firm that he successfully ran for over a decade. Vincent recounted his advice to clients about hiring:

> In smaller firms, I always tell my clients when they're hiring, and people who are looking to get a job with one of my clients, the hiring decision at a hedge fund is very much a people decision, like there's a chemistry aspect to it. There's a connection between the interviewer and the interviewee, which goes something like, "I could work with that person everyday. I'm going to spend a lot of time—probably more time than I spend with my wife—so I need to be able to get along with that person."

Vincent stressed the importance of chemistry in hiring because of the long hours at hedge funds and close working environment at small firms. Vincent's account supports the previous research on hiring at elite firms that identifies how cultural homophily guides hiring decisions (Rivera 2015b). Homophily preferences enable workers to get in the door at a firm and are key to understanding how future colleagues build trust. While homophily provides the basis to bind relationships in contexts of uncertainty, like hiring, it also forecloses opportunities to people who are perceived as being different.

In probing the idea of "good fit," interviewees provided insight into how hiring is gendered and racialized. For example, Nicole, a white investment analyst in her mid-20s, was hired as the only woman on an 80-person investment team. Nicole described a time when she had to strongly advocate for a woman candidate: "I knew that she would be pretty heavily penalized in fit for, you know, being different." Being a woman counters the norm for hiring men at Nicole's firm, which makes women stand out and appear not to "fit."

In contrast, Nicole recounted how men routinely endorse other men but it is naturalized and framed in terms of fit. She explained:

> In recruiting, I have to push so hard to get a woman ranked in the top five, because what happens is they ask around the room, "Does anyone know these *guys*?" [my emphasis] We'll rank them 1-10 and one of the big factors is if anyone knows about these *guys* from college, because it's all on-campus recruiting. And the *guys* are like, "Yeah, he was on the same sports team I was on. I'm sure he's a good *guy*." It's like even if they don't know them personally, they'll still vouch for them as part of their extended social network. But if the *girls* are on different sports teams or don't have as much friend overlap, nobody will vouch for them. I used an incredible amount of political capital to get the one intern in.

Nicole noted how college social networks and extracurricular activities like sports teams are gender specific, and racially and class coded, as the target colleges are predominantly white and higher income (Hayes 2014; Karabel 2006). Even if the hiring committee members have no formal experience with the candidate, men vouch for other men in alumni, fraternity, and sports networks, which are used as a proxy for merit. This voucher for *hedge*monic masculinity reveals how evaluations of merit in hiring processes are gendered, racialized, and classed.

At Nicole's firm, this voucher is then confirmed through an interactional process, in which the interviewer and interviewee talk informally about their interests and leisure activities. Nicole described how this 30-minute interview penalizes applicants who had less common ground with the interviewer:

> It's just about what do you do on the weekends? What sports do you play? Who are your friends? What do they like to do? Things like that. And the problem is, I've actually been on the phone for a lot of these, and the ones that work the best are the guys that come in and say, "I played football or lacrosse or soccer," and someone else in the office will be like, "Me too! Do you know so and so?" And they'll just talk about their mutual friends from college for a half an hour. The people who don't have that point of reference flounder, because it's really hard to build a conversation that's built around the interviewer where it's like, "What do you like to do on the weekends?" "Oh, I like to run." And the interviewer's response is, "Oh, I don't think we have any other runners here."

Nicole explained how a "good fit" is evaluated based on shared social and cultural experiences. These shared experiences may be based on gender-typed sports, racially-segregated activities, and class-structured access to elite universities or prep schools.

Nicole continued to describe the importance of background: "the other thing is where people are from and where they went to high school, specifically." Nicole's firm is dominated by people who grew up in upper middle class communities in the northeast, attended elite high schools, and graduated from prestigious universities. Having grown up in a middle-class family in the rural Midwest, Nicole believed that her employment was contingent on her degree from an elite university.

In addition to her pedigree, Nicole recalled how she was hired as part of an effort to increase diversity:

> [The only] other female analyst was transitioning out of the group to a marketing position, so the managing director of the group at the time went to her and said, "Take over recruiting. We need to hire women." The group was 60 or 70 guys at the time, so I was hired to be the first women and to start this push into hiring a more diverse class.

The other woman moved from the investment team to the marketing team when she got married. According to Nicole, it was assumed that she would start having children and needed a job that would allow her to fulfill her responsibilities as a mother.

Hiring and recruiting processes open or preclude access to job opportunities, rewards, and resources based on who is determined to be a "good fit," which was also referred to as chemistry. A voucher for *hedge*monic masculinity reflects a sense of trust that confers additional capital to white men with elite credentials, and gives them priority in hiring decisions. After someone has established membership in the industry, they no longer need this voucher. Instead, membership enables them to dictate the terms of their employment, as described to me by one hedge fund manager who sold his firm, retired, and then returned on his own terms. Tenured workers then extend a voucher for new hires, which obscures the preference for hiring white men and renders it as the result of networks, credentials, and cultural fit.

Exclusion: Not A "Good Mix"

Cultural, gender, and racial homophily does not fully account for who gains access to elite firms like those in the hedge fund industry. Although few people were willing to give specific details out of concern for damaging their reputation in the industry, several examples of hiring processes featuring outright discrimination and exclusion on the basis of gender did emerge. When I began fieldwork, Paul Tudor Jones, the billionaire founder of longstanding Tudor Investment Corporation, incited controversy when he spoke on a panel of top hedge fund managers. He expressed his reservations about a woman's prospect as a trader, because he perceived women to be distracted by having a family:

> Every single investment idea . . . every desire to understand what is going to make this go up or go down is going to be overwhelmed by the most beautiful experience . . . which a man will never share, about a mode of connection between that mother and that baby. And I've just seen it happen over and over (Johnson 2013).

According to Jones, motherhood prevents a woman from being a successful employee. For this reason, he argued, "You will never see as many great women investors or traders as men—period, end of story. And the reason why is not because they are not capable. They are very capable" (Johnson 2013).

In several interviews following the event, people referenced Paul Tudor Jones' comments as evidence of persistent biases against women. During my interview with Karen, a white investment professional with over 20 years of industry experience, she exclaimed in frustration that Jones' sexist comments validated discriminatory practices in other firms. Karen, like other people I spoke with, cited hedge fund managers they knew who never hire women on principle. She said, "If you're a hedge fund, and it's your company, you can do whatever you please." Because the industry is small and reputation-based, women have few options to pursue recourse for discrimination. Several women mentioned how filing discrimination charges against a prospective, current, or previous employer would be a career-ending move, as it would ruin their reputation. According to

Karen, hedge fund managers have considerable discretion over whom they hire, fire, and mentor, which allows women few opportunities as traders or fund managers.

When I probed Karen to elaborate on how this mentality influenced her own career, she recounted one time when this impacted her directly:

> I was running a book, and one of the big clients was up for grabs, somebody had left to go to [firm name deleted]. And I was next in line to really get this client. And one of the guys who also covered the client went to my boss and said, "They don't like women. And they don't particularly like Jews, so I don't think you should give them blah blah blah." And so my boss comes up to me and says I don't think you should cover them. I don't think it's a good mix.

Karen's account demonstrates how homophily is directly tied to discrimination. When people are matched on the basis of gender, race/ethnicity, or class, discriminatory views and stereotyping are at work. Although she does not describe the hiring process, Karen's account of client assignments clearly depicts how what might be framed as more overtly sexist and racist becomes translated into fit: "I don't think it's a good mix." In other instances in my interviews, these same practices arise yet are framed in neutral terms, like a "good fit."

Women and minority men recount blocked opportunities when firm leadership gave preference to a familial or other personal connection when hiring or promoting. Fund managers may justify excluding women from employment with the belief that motherhood prevents women from fulfilling responsibilities in a demanding job as a trader or fund manager. Managers face few pressures to change their discriminatory ways in firms too small to have human resources or diversity personnel. By exercising unbridled discretion over personnel decisions, especially hiring and mentoring, managers reinforce an ideology of *hedge*monic masculinity that legitimizes an environment lacking scrutiny or repercussions for unethical treatment of personnel.

PATHS TO A HEDGE FUND

Vincent switched from his professional accent to one straight off the streets of Long Island, "So I'm a poor kid from a tough neighborhood in New York, and I put myself through college and law school working full time jobs, packing trucks for UPS." At some point during law school, he "got broke." Vincent recalled, "I had no money left and I couldn't handle any more loans. And I landed a job with a firm that paid for school, so I completed my law school at night and graduated while trading bonds here in New York." Vincent's account reflects a common narrative in the hedge fund world: Raised in a poor or middle class background in New York or the Midwest, he described how hard work, perseverance, and a little luck led him to riches at a hedge fund.

Joseph, a well-known personality in the industry, echoed this narrative when he was asked at a conference about how he deals with failure. When I observed him during a "Fireside Chat"—an interview on sofa chairs in front of an audience at a professional conference—Joseph recounted how he grew up in a middle class neighborhood in an outer borough of New York City. His father, a construction worker, funded his undergraduate education at New York University. After completing a degree from Yale Law School, Joseph landed an interview for a job in the investment banking division at an elite financial firm. He recalled how he "wore a 100 percent polyester suit and shirt, black narrow tie—all polyester to the point of flammability." The audience at the conference laughed loudly.

Later, he explained, the job interviewer pulled him aside and told him to buy a nice suit and tie, a marker of a "good fit." Joseph recalled, "I was completely mortified, because I thought I looked fantastic." He still got the job, but was fired 18 months later. "At the time, I was like a walking junk bond," Joseph quipped to more laughter from the audience.

Then Joseph spent the $11,000 he received in severance to buy a designer suit. He applied for a sales position at the same elite firm that had just fired him. He was hired again, earmarked as an internal transfer, and worked there until he had raised enough money to launch his own hedge fund, only seven years later. Dressing for the part, Joseph explained, helped him to embody the person he wanted to become. He concluded the story by saying, "There will be moments of great despair, but it will work out if you are on a path with a purpose."

Joseph and Vincent described the hedge fund industry as a meritocracy. Hedge funds tend to be small and highly competitive: My interviewees tended to work at firms with 5 to 25 workers.[8] These firms feature fewer protections for workers than their counterparts at large banks. According to the people who work in the industry, this environment levels the playing field, promotes meritocracy, and allows for a free market approach to employment. They also described how without networking, finding a new job takes months and hundreds of applications.

However, people rarely get in to this industry on merit alone. While Joseph and Vincent echo a common industry discourse, in practice, few people I interviewed follow

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[8] When I asked hedge fund workers about the size of their firms, they nearly always responded by citing the assets under management rather than the number of employees. When I refer to small, midsize, and large hedge funds, I refer to the following designations of size: a small hedge fund has less than $100 million in assets under management (AUM), a midsize hedge fund has anywhere from $100 to less than $1.5 billion in AUM, and a large hedge fund has an AUM of over $1.5 billion. These definitions are based on the industry consensus in publications from Grant Thornton, Preqin, and Citigroup.

the path of a self-starter. With only two exceptions, my interviewees had prestigious undergraduate degrees and half had completed postgraduate education. In addition to these credentials, people relied on financial support from family or a firm to get started in this business. For example, Vincent's graduate degree was partially funded by an investment bank and Joseph's father, a blue-collar worker, put him through school. While the people I interviewed spoke of their dedication and hard work to account for how they got into hedge funds, their accounts often included a time when friends, family, or previous colleagues open the door at a firm. In a context where elite pedigrees outnumber elite jobs, preference in hiring is often given to someone with a direct social or familial tie to the firm, which is understood as a strong indicator that someone will be a "good fit."

A key to the social organization of this industry lies in the four major paths people follow to the hedge fund industry. All four tracks appear to be meritocratic, yet it requires considerable social and cultural capital to take advantage of these tracks. This capital is needed to pass the test of whether the candidate is a "good fit." To get on these tracks, a person needs social capital in the form of elite social networks and cultural capital in the form of an elite or graduate degree. Initially, these requirements appear most directly associated with social class; however, a closer examination demonstrates how complying with *hedge*monic masculinity is a third criteria that legitimizes and naturalizes access to this high-paying industry.

The four tracks are not mutually exclusive. In the first track, the social circle track, a person finds an opportunity to work at a hedge fund through a personal or professional connection. In the next track, a person enters financial services through an internship and then training program at a major investment bank. People who start out as a trader on the stock market floor and then develop the expertise and record necessary to locate a job at a hedge fund enter through the third track, which I call the trading track. Finally, in the academic track, the fourth track, the person starts off in other fields like academia or law, often with degrees from elite universities.

The Social Circle Track

The most reliable route to secure a job is through gatekeepers located in one's personal networks. Gatekeepers arise from affiliations with prestigious schools, wealthy families, and elite firms. After working at large investment firms for 20 years, Cynthia transitioned to the hedge fund industry in the 1990s. The opportunity arose at a dinner party when a friend recruited her to work at his fund. Cynthia emphasized how her entrance into the industry was also facilitated by her knowledge of it through both professional and personal affiliations: "on a personal level, I knew a lot of hedge fund managers. So Bert who is [hedge fund name deleted], one of my best friends was his first wife's sister." Cynthia's personal and professional circles overlapped with the industry, which familiarized her with hedge fund culture and provided her with social connections to the industry. This social and cultural capital made her a "good fit." In her account, Cynthia demonstrates how a hedge fund is associated primarily with the founder who manages the investment portfolio: "Bert who is [hedge fund name]." A hedge fund manager's identity is also tied to his or her firm.

Stressing how hard it was to get into the industry, Cynthia recounted the importance of having personal connections and an established reputation to get a job:

> Everything was based on your reputation. And everybody else [was] trying to get in. You really had to know somebody . . . And you really had to know the people.

> It was the old fashioned way of doing business, where your word is your bond. And to me, that is just so important. It is the basis of any relationship.

According to Cynthia, having a strong reputation and sense of integrity is the foundation of business relationships and access to social capital in the industry, a feature reminiscent of an unspecified nostalgic time in the past. Social connections, reputations, and integrity are all markers of trustworthiness, an integral part of doing business in an industry with high risks and high rewards. Cynthia's case is not an exception: Most interviewees located hiring opportunities through alumni networks, college friends, familial connections, or previous colleagues.

Another interviewee, Jeffrey who is a white man in his 50s, described trust and integrity as central to doing business with wealthy elites. Reflecting on building relationships in the industry, he said:

> In the end, people are looking for someone they can trust . . . You don't need to get into the minutiae [of the investment strategy] . . . Over time I started to understand the validity to that, especially when you are dealing with wealthy families. A person who I can trust is actually going to look out for my best interest, and I think that's where a lot of the money management business falls short and may be pronounced in the hedge fund industry because the stakes are so high.

Jeffrey's account demonstrates how a "good fit" is determined on a sense of trust. Trustworthiness is often based on shared a social positions, like gender and race (Gambetta and Hamill 2005; S. S. Smith 2010).

Jeffrey then listed four characteristics that he looks for in people: Integrity, strategy, skill, and focus. He struggled to define integrity and said, "I know integrity is a pretty liberally used term. People say they have integrity but they don't have integrity."

Next, he reflected on how his lengthy experience allowed him to differentiate between "those people who are actually looking out for the client's best interest most of the time" versus those who prioritize their own interests first. Jeffrey's account demonstrates how perceptions of trust and integrity stem from a sense that both parties' interests align. Identifying with one another—which is based on shared social categories—facilitates this recognition of aligned interests.

Jennifer further illuminates how social ties facilitate this sense of trust. Jennifer is a white woman who located her first job at a hedge fund in the late 1990s through a good friend who was married to a hedge fund manager. Jennifer recounted the reasons why her friend's husband hired her:

> He really liked me. We were personal friends. He had seen things that I had written and we were buddies and so he felt that I had the right mix of financial industry experience as well as the personality and skills to be a hedge fund marketing person . . . my communication, relationship-building skills, which is really what I am strongest at.

Jennifer identified how interpersonal, communication, and relationship-building skills are desirable attributes for marketing personnel. A marketing job at a hedge fund primarily involves investor relations. The skills valued for these client-facing positions are not only gender coded—likeable personality, communication, and relationships—they are also markers of social class status, which is why a hedge fund manager might search for someone within his or her social circle. Jennifer's account demonstrates how perceptions of fit are dependent on social class and gender status.

For workers who entered the industry through their broader social circle, as opposed to former colleagues, I observed a gendered pattern: Women were often recruited to investor relations positions, while men tended to enter jobs on the investment side. For example, Cynthia entered finance in the early 1980s as a stockbroker. She was the first woman to become a Vice President at a top-tier investment bank. Cynthia had extensive experience in financial analysis, yet her friend recruited her to work in client services, a position more commonly held by women. Jennifer's account provides insight into why this happens. In social settings, people may be more prone to recognize a woman for her relationship skills rather than her technical expertise.

In contrast, Andrew, a white man in his late 30s who is a lawyer by training, was recruited to the investment side of the business. "I lucked into the industry," explained Andrew. After finishing law school, he came across this opportunity, "I was at a wedding, and a woman that I know, her husband was a headhunter who was looking for people at a distressed prop [proprietary trading] desk at [top-tier investment bank name deleted]." Within four years, Andrew transitioned to a job at a hedge fund. Andrew was lucky: He was at the right place at the right time. However, his "lucky" opportunity is only available to people who have access to elite networks. Unlike Cynthia and Jennifer who had experience in finance, Andrew was recruited to work in distressed trading, position more often associated with technical expertise in the industry.

Matthew, a black man with nearly 20 years of trading experience, is from a wealthy background with elite credentials: He attended an exclusive boarding school and graduated from Cornell University. After a college internship at a top investment bank, he was hired to participate in a two-year training program. Matthew followed a common pathway to a career in asset management; however, a personal connection expedited his entrance into the hedge fund side of financial services.

Matthew became frustrated with racism at the investment bank, after a white colleague accused him of being arrogant and aggressive, which he attributed to the perceived incongruity of being a black man from an elite background. Then one day he ran into the student president of his boarding school and his father, a wealthy man in the process of launching a hedge fund to invest his own money. Matthew explained how this provided an opportunity that he described as a combination of chance and his elite privilege:

> At 24, I was miserable working for [firm name deleted] on the muni-bond desk. I was walking on the street and I bumped into the guy who had been the president of my high school. He was with his dad, and he said, "Hey, what are you doing?" "Ah, well, I work here and I don't really like it." And by chance, and this was totally by chance, the dad was like, "I'd like to interview you. We're starting a hedge fund." . . . "Why don't you come in and talk to me?" So I come in and I talk to him and he offers me a job that day trading convertible arbitrage. So there's an example [of privilege]. I didn't get that for anything except that I went to a high school with that guy. For me to deny that is ridiculous. But I think that a lot of people who sit in some of these seats, they don't even think about that because it's just a total function of how the world works for them.

Matthew described how this elite social connection opened up an opportunity for him to move from investment banking to the hedge fund industry, a more lucrative area of financial services. He stressed how his experience was not unique, but rather an example of a common path to advancement in this industry. Matthew identified how most people within these elite circles do not recognize how opportunities are a product of their backgrounds, as these forms of privilege become normalized. Throughout our interview, he frequently acknowledged how class privilege operates in this industry. This is perhaps a product of his cognizance of how race and ethnicity also shapes his own experiences (examined further in Chapter 6).

As the examples of Cynthia, Jennifer, and Matthew demonstrate, social networks influence who gains access to potentially lucrative and powerful positions in the industry. The networks are dominated by white men, which may make it difficult for minority men and women to find job opportunities and mentorship. Cynthia, Jennifer, and Matthew gained access because they complied with and upheld other norms for *hedge*monic masculinity, like an elite and well-networked social position.

In contrast, Sasha, a black woman and first generation immigrant raised in a working class family, recounted struggling to build networks in this industry. She said, "I didn't get here because of my networks. I'm from Jamaica. My parents' networks aren't going to help me here." Instead, she entered the industry as an accountant in the back office, a less prestigious and lower paying department.

Generally, I found Sasha's experience to be the exception to the rule: Employment at hedge funds often requires workers to locate jobs through social connections. Family networks, college friends, and religious communities open, or preclude, access to hedge fund employment. For those with high-class privilege—from their families, elites pedigrees, or professional circles—these opportunities are perceived as natural or normal. However, personal connections appear to sort men and women into different roles in the industry based on perceived "fit:" financial analysis and investor relations, respectively. Meanwhile, workers lacking these connections perceived them as a primary barrier to their advancement. The next section follows the investment-banking track, in which the job facilitates access to high-status networks.

The Investment Banking Track

Margaret sat across from me in the conference room of her firm's office on the Upper East Side of Manhattan. She graduated with a degree from Yale University in 2008 at the height of the financial crisis. When I asked about her training for the industry, she replied:

> My educational background had nothing to do with what I am doing now. I studied linguistics and cognitive neuroscience. So absolutely nothing related. The natural tracks for those are either academia, which didn't appeal to me, and working for the CIA, which also didn't appeal to me, and so I tried to sort of do a little bit of career exploration and a little bit of soul searching and ended up finding a very good number of very smart people that I respected that were going into this industry.

Margaret found the leading career paths for her degrees unappealing. Her smart peers were pursuing investment banking, so she decided to test out the industry by applying to a summer internship at an investment bank. She was accepted and followed a common pathway to the financial services industry for elite graduates (Ho 2009). She excelled and the firm hired her after graduation to conduct research on mergers and acquisitions.

Like others on the investment-banking track, Margaret's pedigree is more highly valued to firms than the training she received in college. Because she graduated with a degree from a highly regarded university, Margaret was presumed to possess the intelligence and analytical skills to learn on the job, which makes her a "good fit." Others who have degrees in finance frequently returned to school to get an MBA. But highly specialized training in finance is not an explicit requirement, at least not for those with an elite degree. People emphasized that firms prefer employees whose credentials appeal to prospective investors in promotional materials, implying that a degree from an Ivy League school is more valuable in terms of fit than formal training in financial modeling.

During her year as an analyst in investment banking, Margaret worked exceedingly long hours. At times, she slept on a sofa in the lobby, a typical rite of passage for entry-level analysts. Since she majored in an unrelated discipline, Margaret learned everything on the job. She recalled, “It’s not rocket science, but it is challenging.” She described investment banking as the training program for Wall Street.

Margaret also noticed more women working in entry-level positions, which she attributed to recent diversity initiatives. She emphasized, however, that the numbers were still male-dominated in her unit and were noticeably more so in higher-level positions. Margaret recalled how the dynamic among younger workers differed from those who were more senior:

> My immediate boss was six years older than me, and when you are dealing with that demographic, it is a lot more familiar and a lot more open to having an equal mix of men and women. It’s not until you start talking to very senior people that there became an odd dynamic, a tangible difference in being a woman versus being not.

Margaret explained how during college and this first job, she was “very much somebody who was not aware of the gender dynamic.” She noticed few women among senior professionals at the investment bank; however, she said that she did not recognize how gender shaped her own experience until she moved to the hedge fund industry, a marker of advancing in her career. Margaret identified a phenomenon well-established by gender scholars where women in finance and related field are sorted out, or “opt out,” as they move along in their careers (Blair-Loy 1999; Roth 2006b; Stone 2008).

Three months into her job in investment banking, Margaret started receiving calls from "every headhunter in all of New York City," competing with one another to hire analysts for other sectors of financial services. Headhunters are a common gateway to the hedge fund industry for people who start in investment banking. Investment banks have a steep, pyramid structure, so there are limited opportunities for upward mobility (Ho 2009). Margaret explained how "the most obvious options are private equity and hedge funds, in terms of where to funnel your skill-set to post-investment banking." Margaret found hedge funds most appealing:

> For me it was a fairly easy choice. I mean there were certain things about investment banking that I know I didn't like, which was like process, presentations, etc. But I did like the analysis. I did like the due diligence. And so for me that stratification is the very clear difference between P.E. (private equity) and hedge funds, and so it was a very natural choice.

Margaret described the process as obvious and natural, referring to how the skillsets matched and how she liked the work.

After a year, Margaret responded to the headhunters' calls and took a job at a hedge fund startup. Reflecting back on the hiring process, Margaret emphasized again the importance of liking what she identified as detail-oriented and all-consuming work:

> Whenever you walk into a hedge fund interview for a job, the most important thing that you can demonstrate is that you genuinely like looking at securities, and that is absolutely critical, because this is not a job where you can get up and walk away and call it a day. It is always, always happening.

In this instance, Margaret used the word "like" to describe financial analysis. At other times during our interview, she used the word "love." This was consistent with my other interviewees in similar job functions.

Margaret, and other women, embraced this industry discourse of liking, even loving, financial analysis. Yet, some people attributed the low numbers of women in the industry to a lack of interest in finance shared by women. It was assumed that women were less likely to feel passionate about financial analysis. Although the discourse of liking or loving finance appears gender neutral, I learned that it reflects a gendered discourse about professional interests. Despite these assumptions, men and women alike on the investment side of the business upheld this discourse and expressed a sense of excitement for investing.

Overall, the diversity initiatives at investment banks made this a more appealing track for women to enter the hedge fund industry. Margaret, however, believed that the recruiting process creates unique obstacles for women. She stressed how younger women are often disadvantaged due to their interactions with headhunters, whose job is to evaluate the candidate for fit:

> Recruiters are not your friends—not a friend of the candidate, anyway. Recruiters are interesting creatures because they always appear in the form of young, 20-something year-old girls who look just like you across the table and who are fun and they sit there and they interview you and you think that they are your friend, so you tell them everything. You're like, "Oh, I don't like this part of my job. I hate this part of my job." And then, they write that all down, and you realize at some point that their interests are not aligned with yours. Their goal is to filter out as many candidates as possible and pick out the best batch for the people who do pay them, which is the firms. I think a lot of young people fall into the trap of seeing somebody who looks like them across the table, spilling their guts, and then getting dinged for the fact that they just told them a bunch of things that are negatives. They get filtered out.

Margaret thought that trusting the recruiter could penalize women applicants, especially younger women. As Margaret warned, openness with a recruiter does not benefit the candidate but can instead expose negatives that may lower her chances of getting the job.

Margaret's account is important for two reasons. First, she shared what she believed to be important advice to prospective women candidates, exposing how women must comply with *hedge*monic masculinity. She distanced herself from normative femininity in this context, which is associated with "spilling their guts" and gossiping. Regardless of whether women actually engage in these behaviors, her account reveals common assumptions about femininity, which is defined in opposition to the *hedge*monic ideals for masculinity. Margaret stressed how it is important to instead express a sense of excitement for the work itself. The underlying message is to develop a savvy approach to the hiring process, which involves reinforcing *hedge*monic masculinity by rejecting normative femininity.

Second, Margaret's account provides insight into how hiring processes may disadvantage women. Other women also expressed skepticism about joining a firm that used recruiters. For example, Melissa, a white woman in her late 20s, works in a sales position in the hedge fund unit at an investment bank. She is actively searching for a job at a small hedge fund. A recruiter contacted her about several positions that match her interests, but the manager at one hedge fund had a reputation for being difficult and aggressive. Because of this, Melissa grew to distrust hedge fund managers who use recruiters and interpreted it as a sign of underlying problems, like a negative culture or bad management. She preferred to find a job through a social connection, because she could gain a better sense of the firm's prospects and culture, i.e., whether it is a "good fit." Other people mentioned how locating opportunities through these avenues might make the applicant appear needy and less trustworthy, because it implies the person is ineffective at building social networks.

Other people I interviewed described how the close networks people form as they undergo training at prestigious universities and highly regarded investment banks can build social ties that provide access to more reliable jobs than those provided by headhunters. While prospective investment analysts pursue technical training in financial research, modeling, and sales first at an elite university and then at introductory training programs at the leading investment banks, they form networks through group social bonding rituals and long working hours. Several people I spoke with described how the networks were like tribes or fraternities, a clue to how gender and race shape who is included or excluded. Once a person has access to the social group, it provides connections through mutual colleagues and friends to people who have advanced from investment banking to hedge funds.

Since entry-level investment banking programs have a higher proportion of women relative to hedge funds, the investment-banking track appears to be a more common starting point for women to enter the hedge fund industry. Yet, the women I interviewed did not recount locating opportunities at hedge funds through the networks they built in investment banking. For those lacking access to these networks or to personal connections to the industry, independent headhunters provide an alternative entry point for accessing jobs at hedge funds. However, these gatekeepers may place women at a disadvantage as they begin their careers in the hedge fund industry. Margaret believed that since recruiters at headhunting firms were disproportionately young women, women candidates were placed at a disadvantage because they are more likely to approach one another as peers. Similarly, Melissa assumed that headhunters signal a poorly functioning firm. While investment banking may in theory open up more doors for women, it may start them off on an unequal footing, especially relative to candidates who have personal connections to the industry.

The Trading Track

Manny is a second generation Dominican American who grew up on Long Island. After graduating from a small liberal arts school in the Northeast, he was working for his parents when he ran into a family friend. In reference to his job, she asked him, “Wouldn’t you rather be on Wall Street?” He responded, “Yeah, of course I’d rather be on Wall Street, but I don’t know anybody there. I didn’t go to Stanford. I have a lot of minuses, so I figured I could work my way up.” She promised to get him onto Wall Street the next day.

The woman’s daughter worked in a training program at what was then called the American Stock Exchange (now called the New York Stock Exchange). The following day, Manny met with the head of the firm, who took his resume, barely looked at it, and then quickly scanned to the bottom. He noticed that Manny played rugby in college. “Really? You played rugby for four years and didn’t kill yourself?” he said, gesturing to Manny’s small stature. After talking about rugby for 30 minutes, the boss invited him to start work two hours later. Manny recalled, “The next day I was a clerk on the American Stock Exchange floor.” Rugby served as a signal to the head of the firm that Manny was a “good fit.” He could hold his own on the trading floor, which requires someone who is strong, agile, and daring. The interaction between the interviewer and Manny reinforces the norms for masculinity on the trading floor, which features repertoires for handling pressure, getting physical, and being aggressive (Levin 2001).

Manny's starting salary in the early 1990s was $19,000 a year, which was half that of a competing offer that he received for a job at an insurance company. Despite the low pay and long commute, and to the dismay of his parents, Manny took the job with the short-term goal of becoming a trader in two years and the long-term plan of starting his own trading firm. Within six months, his gamble paid off: He was hired into a training program for traders. Before he completed that program, he took a job as a trader at a midsize firm. Like Vincent and Joseph, the opportunity to climb to the top of the class ladder motivated Manny.

In 2010, after working a turbulent 15 years as a trader, Manny was recruited by a billion dollar hedge fund to work on a new portfolio in his area of expertise. At the time, Manny recalled, "I went to that firm feeling like I had made it to the mountain top." He recounted how he settled into an office on the highest floor of a skyscraper in lower Manhattan. As he looked out at the Statue of Liberty, he thought, "I'm finally here." He had a full salary and benefits for the first time in his career. As the son of middle-class immigrants, Manny reflects the rags-to-riches narrative of the trading floor as a meritocracy where anyone could succeed on Wall Street.

Six months later, however, Manny was laid off. He explained how he was hired "to teach them how to play the game." According to Manny, once he had taught them his specialized knowledge from nearly two decades of experience trading in that area, the firm replaced him with two junior men that were paid at a lower rate. Even though Manny reached the "mountain top," he found that his expertise was easily replaceable. "Game over," Manny said.

Instead of continuing a risky career in trading, Manny accepted an offer from a friend for a job at a trading software company that provided the stability he felt he needed as a husband and father. While this career move represented a step backward in his career, and a failure to comply with *hedge*monic masculinity, it preserved his masculine status within his family as the breadwinner.

Manny's experience demonstrates the precarious nature of skill and expertise on Wall Street. It also captures the fragility of the status conferred by upholding the ideals for *hedge*monic masculinity. Manny's mastery and lengthy experience as a trader gained him access to an upper-level job at a top-tier hedge fund. Yet this knowledge was transferable. Without the cultural capital of a prestigious degree or the social capital of elite networks, Manny was easily replaced by less experienced traders. This reflects how an ideology of *hedge*monic masculinity justifies the maintenance of boundaries around the upper echelons of finance. Manny's career path also required that he take on considerable professional risk and financial instability. In his career as a trader, he worked at several unstable firms, including one that collapsed after the manager was charged with insider trading. This placed pressure on his family, which conflicted with his ability to provide as a breadwinner for his wife and children.

Manny's account reveals the demands of competing masculinities, especially for men who are not white or from an elite background. Without these additional status markers, Manny struggled to uphold the normative masculinity of the trading floor, the *hedge*monic masculinity of the hedge fund world, and the breadwinner masculinity expected of him as a father: The masculinities reinforced in the financial sector require a high level of comfort with career turbulence and financial risk-taking, yet the normative masculinity associated with fatherhood required professional and financial stability.

The trading track to the industry captures the masculine icon of the scrappy trader who earns riches through speed, dexterity, and aggression on the trading floor. This track is one of the few avenues through which working and middle class traders can enter the inner workings of Wall Street, albeit a fragile and tenuous entrance. Today, however, few traders work on the stock exchange floor. When I toured the New York Mercantile Exchange, a commodities futures exchange, each pit had only a dozen traders at most. Twenty years ago the pits would have been packed with at least one hundred traders each. For the most part, industry insiders—including Manny—considered this path unachievable in the age of electronic markets when most traders are employed at investment banks. The paths of Manny and others reflect an ideal for masculinity of a bygone era.

Yet, many insisted that the self-starter path was true in the early days of the industry, when "two guys and a Bloomberg"—the leading stock market analysis and electronic trading platform—could launch a hedge fund out of their garage. This story reflects a common origin myth. For example, Craig, who is a white man with over 15 years of experience as a trader, explained how the industry used to be one where a "guy" who graduated from a state school could get a start on the floor of the New York Stock Exchange and make enough money to launch his own hedge fund. To Craig, this was what made the industry remarkable: "For every hotshot that gets written up in Trader Magazine, there are 10 guys who are walking in the street right now wearing khakis and street jeans, or at [hedge fund name deleted] t-shirts and shorts, who have 10 times as much money." In the past, an average guy could make it rich on Wall Street, according to Craig. Today, he explained, it has become institutionalized and dominated by the graduates of elite universities. Craig, for one, has a Ph.D. in Molecular Biology from Stanford University.

The Academic Track

While working as a post-doctoral fellow at the University of Wisconsin at Madison, a friend from high school recruited Craig for a job as a trader on Wall Street that paid six figures. At first, he declined the offer: "I said, 'Thanks for thinking of me,' but I had just gotten my doctorate and was making big money, you know $20,000 a year [he laughs]." When the friend explained how much money Craig would make, Craig reconsidered and moved to New York to become a trader on the New York Stock Exchange. He recalled: "I was a floor trader standing around in crowds waving my arms up and down yelling for contracts." After five years, Craig transitioned to proprietary trading—when a firm manages its own money—and then to hedge funds. While Craig followed the same path as Manny, his degree from Stanford provided him with social and cultural capital, which may help to account for why he advanced in the industry while Manny's career petered out.

Craig and others with graduate degrees in non-finance fields emphasized that it was a shame that their skillsets would not be put to the betterment of society. For example, Anselm, a white Austrian with a doctorate in Physical Chemistry, lost his job at NASA when his department underwent funding cuts. Unsure of how his skills applied in industry, he sought advice from a friend in finance who convinced him that the mathematical tools he learned in graduate school would lend to a successful career in finance. When I met Anselm at a conference, he was raising money to launch his own hedge fund.

"It's a complete waste!" Arjun exclaimed with a smile as he described the value of having so many people with doctorates working in finance. Born in India, Arjun moved to the U.S. for college and earned a doctorate in Applied Math. He completed his dissertation on artificial intelligence in the early 1990s when "there was nothing to do with it." Arjun laughed as he said this, gesturing to how valuable it would be to society today.

When I asked Albert how he became a hedge fund manager, he looked me straight in the eyes, smiled, and said, "failed academic." Albert, a white British man with over 20 years of experience working in financial services, has a doctorate in Polymer Chemistry from Cambridge University. Like Craig above, Albert became "a little disillusioned about academia" while in a low-paying postdoctoral research position. He stressed how the departmental politics, career risk, and solitary work made it an unappealing path.

A previous colleague who had pursued a career in finance advised Albert to consider changing career paths. As Albert recalled, "he said finance is every bit as analytically challenging as what you're currently doing, which was eye-opening to me." This led Albert to read up on the industry and learn about work as a trader:

> I started to read some books on finance, derivatives, and the like. A lot of the stuff in derivatives, Black Scholes,[9] and option pricing, is frankly a heat diffusion equation except that they call the variables by different terms, and so I thought, well, finance is just undergrad physics. I can do this. And so with that very ignorant approach—not knowing anything more—I set up some interviews and the rest is history.

Albert applied to nine jobs at investment banks. He interviewed for eight jobs and received all eight offers. Two were in different units of the most prestigious firm at the time. He selected one because of the opportunity for strong mentorship, which he again attributed to his ignorance at the time. The other offer was in a unit that would later break

[9] Black Scholes refers to a mathematical model of price variation over time.

off to be one of the most successful hedge funds of all time. In retrospect, Albert remarked, "I really, in reality, I chose the wrong job. If I had chosen the other career track, I would potentially have been far more successful financially."

Yet, after more than 15 years at three different investment firms and locations across three continents, the aftermath of the 2008 financial crisis afforded Albert the opportunity to spin off his current unit and start his own hedge fund. The difficulty of starting a firm in this environment was still creating challenges at the time of our interview seven years later. However, Albert's staying power was perhaps indicative of the attractiveness of his pedigree—filled with elite universities and high-status investment banks—to potential investors, even 20 years out of school.

Like other people on the academic track, and Margaret on the investment-banking track, Albert's elite credentials reinforced the norms for *hedge*monic masculinity, served as evidence of fit, and gained him entrance into financial services. A doctorate, or for others a law degree, signifies the ability to acquire expertise and confers status more valuable than technical training. At hedge funds, the particularities of each fund's strategy require that most training be done on the job. In fact, business schools rarely provide courses on hedge fund management, although more are becoming available as the industry's reputation for high-incomes grows. This is indicative of how patrimonialism operates in this industry. People explained how firms favor workers who are perceived as highly intelligent and critical thinkers, because they will be more easily molded into the firm's investment tradition. A high-status degree signals the desired characteristics of a "good fit:" The ability to learn on the job and be groomed into a firm's practice.

Men and women alike must adhere to the expectations for *hedge*monic masculinity; however, men may be more convincing when they perform the scripts for critical thinking. Margaret and other women found that when they asserted their ideas in investment meetings, it was not uncommon for them to receive less attention, or for a man to restate their ideas and gain recognition for them.

The experiences of Craig, Anselm, Arjun, and Albert were more common among the people I interviewed than the bootstrapping narratives of Manny, Joseph, and Vincent. Yet, both reflect the prospects and limitations posed by the recent proliferation of hedge funds. For workers, the industry represents both the lucrative opportunities of a free market and the shortcomings of a society that fails to invest in fields that advance medical science, aerospace research, and artificial intelligence.

These accounts are also revealing of how *hedge*monic masculinity operates in this industry: The hedge fund manager as a scientific, market theorist is the new archetype of masculinity in finance. Previously, aggressive traders and wise financiers were the competing icons of finance masculinity (McDowell 1997). Today, mathematical wizards and anti-bureaucratic techies have replaced them as the leading icons of the industry, as examined in Chapter 2. These shifting icons of masculinity legitimize gender as an underlying social structure guiding access to rewards and opportunities.

CONCLUSION

While the dominant discourse of upward class mobility in the hedge fund industry reflects a self-starter ideology, the common tracks people take to enter the industry reveal the importance of elite networks and prestigious credentials. People take four common paths to working at hedge funds: the social circle track, the investment banking track, the trading track, and the academic track. The social circle track appears to be the most common track and yet also the most difficult to access, especially for people without wealthy families or prestigious schools.

The hiring and interview processes lead to the inclusion and exclusion of people on the basis of gender, race, and class. In contrast to previous research that foregrounds the role of social class status in hiring at elite firms, I find that cultural designations of a "good fit" are explicitly gendered and racialized. A voucher for *hedge*monic masculinity privileges the social and cultural capital of high-status, white men. For women and men with less status, access to the industry is granted yet contingent upon them upholding and performing *hedge*monic masculinity while also complying with competing masculinities and normative femininity. This makes employment for women and lower-status men more insecure and unpredictable.

The tracks people take to the hedge fund industry and the hiring practices heavily rely on recruiting through social circles built around wealthy families, elite degrees, and high-status firms, which are framed in terms of fit. These social circles allow hedge fund managers to carefully select employees in ways that reinforce their own power and autonomy within their firms. The normative practices and beliefs that reinforce *hedge*monic masculinity legitimize a social organization that bolsters the authority of the hedge fund manager relative to that of their workers, especially those who have lower-status. In the next chapter, I examine how the norms for *hedge*monic masculinity on the job encourage risk-taking and networking in ways that further afford status to white, upper class men.

Chapter 4: The Financialized Ideal Worker

The masculine cultural ideal for white-collar workers has been well-documented by gender scholars (Acker 1990; Blair-Loy 2005; Williams 2001). This ideal evokes a man who is fully dedicated to his work and unfettered from responsibilities at home, which are presumed to be fulfilled by his wife (Acker 1990; Williams 2001). Joan Acker (1990) introduced the concept of the masculine ideal worker to identify how jobs, although seemingly gender-neutral, reflect a set of shared assumptions, meanings, and beliefs that are implicitly gendered.

While Acker's theory remains applicable today, the conditions for workers have transformed over the past 30 years. Since the 1970s, the financial sector's increasing dominance in the U.S. economy has weakened job security and heightened inequality throughout the labor force (Davis 2009; Kalleberg 2011; Krippner 2005). Unlike the steady employment of the post-war era, organizations now feature ongoing restructuring, frequent downsizing, flexible scheduling, and flattening (DiMaggio 2001). Risks formerly held by employers have been transferred to workers (Hacker 2006), making work more precarious. Simultaneously, income inequality has widened as jobs have become more polarized (Piketty 2014): Middle class jobs and wages have disappeared, while elite workers have grown in numbers and pay (Autor and Dorn 2013).

This chapter updates the masculine worker ideal to account for work transformation in the 21st century. I examine how cultural ideals for elite finance workers are gendered and racialized, arguing that the ideal worker in this industry is a *financialized* product that must be cultivated and capitalized. This ideal casts careers as assets that require ongoing investments in resources, development, and management. These cultural ideals reinforce the dominant ideology of *hedge*monic masculinity that legitimizes the position of white men in this industry. Underlying this ideology, patrimonialism institutionalizes the privileges enjoyed by white male workers while precluding access to others, predominantly women and minority men. In what follows, I show how the social organization of hedge funds influences how people advance in the industry. I first examine the organizational context by explaining the general social organization and working conditions at hedge funds. Then I examine how the cultural values, norms, identity, social capital, and compensation influence advancement in the industry.

THE FINANCIALIZED IDEAL

Midsize hedge funds feature a two-tier structure of partners and support staff, which provides few opportunities for internal advancement. Firms generally have one lead investment manager while the other partners cover non-investment functions, like legal, compliance, and client services. While the average number of employees at hedge funds has not been systematically studied, the people I interviewed work at firms with 5 to 25 workers, with a handful of outliers that employed either one or two people—like the "two guys and a Bloomberg Terminal" cliché—or up to 300 employees. Although interviewees described the social organization of their firm as flat, they outline a two-tier, steep hierarchical structure that is bifurcated between partners and their support staff.

In a context of considerable employee and firm turnover, hedge fund workers expressed a need to demonstrate their dedication by working long hours. For example, Margaret described how her 80-hour weeks at a hedge fund allowed for more free time than her previous job at an investment bank that demanded 120-hour weeks. Meanwhile, workers also prepare themselves for the risk that a firm collapses or downsizes. Thus, hedge fund workers are simultaneously independent of the firm and committed to keeping it running. When hedge funds survive and this risk pays off, workers can gain tremendous benefits: status, autonomy, and wealth. But living with this insecurity also comes with expectations for performance, overwork, and risk-taking, all of which are exacerbated by advanced technology and global markets.

Even among the most established firms, hedge funds are unstable since they respond to global market swings and are subject to abrupt shifts in investor confidence. For example, one woman I interviewed expressed a sense of security working at a large hedge fund that consistently posts some of the biggest returns in the industry. When I ran into her at an investor conference a year later, however, she had recently taken a new job after her previous firm encountered its first losses in 15 years. Her entire office had been laid off. Her former firm was one of many large hedge funds to scale back in 2015 due to downturns in global markets. And in the first quarter of 2016, investors withdrew nearly $15 billion from the hedge fund industry (Martin 2016).

The instability of this industry fosters a working environment that is best captured by Scott, the chief executive officer of a midsize hedge fund with 15 employees. Scott, a white man in his 40s, described how global markets never stop. He explained, "We always see the sunrise when we start working because our trading day starts three hours earlier than New York's. It actually never really ends anymore because we trade globally and there's always a market on somewhere." Although his firm had been in business for over 30 years, Scott said:

> You need to run your business as if you're scared of it closing tomorrow, because ultimately it could. A market event could happen. Your investors could be spooked by another Great Recession and, for all you know, your clients are gone in 12 months. So you need to run your business scared a bit . . . It doesn't matter

> whether we're talking about a multi-billion dollar investment bank or a small little mom and pop advisory service. As soon as you stop focusing on improving and enhancing, you're done. So, yeah, you need to work hard. It's too competitive otherwise, and markets change too quickly and too dramatically over time . . . It's like a treadmill in a way, because as soon as I retire or I die or whatever happens to me, it's not like markets are going to stop.

Scott explained how regardless of what is going on his life, the markets continue, which requires his vigilant attention to prevent firm failure. A constant concern for potential failure allows Scott to keep up with heavy competition, market activity, and investor demands.

Many of the insecure working conditions that hedge fund workers encounter are characteristic of white-collar work in the new economy (Kalleberg 2011; Pugh 2015; Williams et al. 2012). Hedge funds operate in response to market fluctuations, so workers prepare to repeatedly change jobs and firms. Even at more stable firms, the two-tiered organizational structure provides limited opportunities for promotion. Workers advance through external labor markets, requiring them to locate opportunities at other firms that offer higher status and pay. To access these opportunities, workers engage in networking and professional development to expand their skillsets and credentials. When firms downsize, workers may be hired as contractors, at times for a former employer who replaces salaried employees with contingent workers. In these cases, workers are highly paid, but also assume additional risks of employment as they operate as in-house contractors.

In this environment, I find that workers apply the strategies they use to hedge risk in the market to manage risk in their own careers. Workers manage their careers like a financialized product that requires ongoing investment and cultivation, which fosters a financialized cultural ideal for workers. This ideal, however, rests on the belief that both stock and labor markets are meritocratic and self-regulating forces. The financialized ideal obscures the patrimonial system that organizes the industry. Patrimonialism, rather than career management, facilitates access to the opportunities, resources, and rewards. As such, the financialized ideal is part of the ideology of *hedge*monic masculinity that legitimizes the white male domination of this industry.

Workers anticipate downsizing and firm turnover by building networks both inside and outside of the firm that will enable them to locate future job opportunities. In the event that a firm restructures or collapses, networks may persist even when organizations disappear. This places a high premium on networks and allows for patrimonialism to flourish, as networks form through relations of trust and loyalty, a practice that tends to favor white men in this industry. In keeping with *hedge*monic masculinity, the financialized cultural ideals render advancement as a product of meritocracy. The underlying patrimonial structure, however, reveals how gender and race are a crucial part of the social organization of the industry.

The five sections that follow outline the employment conditions that distinguish the financialized ideal from the previous white-collar ideal worker (refer to Table 1). First, I investigate the cultural values that characterize the financialized ideal worker, with special emphasis on a passion for work. The second section examines how the norms for advancement encourage professional risk-taking, like taking a new job or launching a firm, rather than the incremental advancement valued in the white-collar ideal in which workers were rewarded for ongoing commitment with stable employment, promotions, and incremental raises. In the third section, I explore how workers express a sense of identity as a "portfolio worker"—a worker who cultivates a diverse portfolio of skills, achievements, and job experiences—rather than identifying with their firm as in previous era. I find that the concept of the "portfolio worker" in the new economy is implicitly gendered. The fourth section details how norms for building social capital have changed. Loyalty to one's firm has been replaced with loyalty to one's networks, which provide access to the next job or investment opportunity. In the fifth and final section, I explore how the promotion-based wage has been replaced by performance-based compensation that I call "the wager," because it allows firms to hedge employment risk.

Discourse	**White-Collar Ideal**	**Financialized Ideal**
Cultural Values:	Devotion to Firm	Passion for Work
Norms:	Incremental Advancement	Big Leaps
Identity:	Firm Identification	Personal Brand
Social Capital:	Loyalty to Firm	Loyalty to Networks
Compensation:	The Wage	The Wager

Table 3: The White-Collar Ideal vs. The Financialized Ideal.

Cultural Values: A Passion for Investing

Hedge fund workers expressed a passion for investing. When I asked what is rewarding about their work, some interviewees acknowledged the importance of their high compensation. Other interviewees expressed ambivalence about the high incomes. Several said the high compensation was a factor that led them to work at hedge funds, yet also explained why they find the work fulfilling. Every respondent provided an additional explanation for why they felt fulfilled, emphasizing how investing is fast-paced, variable, and stimulating, which elicits a passion for the work. As one experienced worker Jay, a Hispanic man in his 30s, explained:

> I'm not going to lie to you. Of course, there's an element of compensation that goes into this business. But really, it's the passion. Don't get me wrong, we're all

> doing it for the money, but there are obviously many times when it's not all glamour like in the movies. There's a lot of it that's unglamorous, but you do it because of . . . the intellectual aspect of it . . . There's always new things coming up, new ideas and new businesses, and how do we look at this and how do we structure that, and it always keeps you stimulated.

Although compensation was a motivating factor, Jay identified how people develop a passion for the work's intellectual stimulation. Workers justified the long hours and insecurity as a necessary tradeoff for engaging work.

After a conference panel, I approached Diane, a white woman in her early 50s who founded a large hedge fund, as she walked briskly towards the elevator. She apologized for not having time to talk to me, said she was running to catch a flight, and promised to do an interview in the near future. As I sat in her office three months later, I asked her how many hours she works in an average week and she replied:

> Oh god! You know it's interesting, because I sleep more than I used to. This little guy [she lifts her blackberry] is with me all the time. So even if I'm not physically here [in the office] or traveling, this is always with me, and now with wireless on airplanes, I'm still working. I was here on Saturday. A lot [of hours]. I don't know if I want to know what the number is! [Laughs loudly]

For Diane, her hours improved only to the extent that she had more time to sleep. Technology, like her blackberry, allowed her to work at all times. She explained how her only downtime was when she had a flight without wireless internet, which she savored.

Diane described how a passion for investing fueled these long work hours, often on nights and weekends:

> Investing for me is not my job, it's my passion, it's my extracurricular activities, so it's not even work. I feel sorry for people who don't love what they do. I can't

> imagine going through life not loving my job. And I think that's the majority of people. So I'm so very fortunate that I was able to find something that I love, because even through the shittiest of times, it's better to love what you are doing than to hate it . . . I never really turn it off, because I don't want to, because I love it so much.

Diane's love for her work justified the stress and long hours. She worked because of the passion investing incites in her.

Hedge fund workers described having a sense of passion for their work, akin to romantic relationships (Cherlin 2009; Pugh 2015). Thus, the financialized ideal worker must be committed to their work and feel passionate about it. Amid a culture that values innovation, calculation, and profits, workers expressed a passion for investing. People in the industry justify the high incomes as the result of productivity inspired by this passion. Workers described it as something they would do regardless of compensation, suggesting a collapsing distinction between work and personal life. Even if capable of retiring, workers like Diane would—and do—continue to work. As in the discourse introduced by Margaret in Chapter 3 about like or loving one's work, this discourse of passion reflects the norms associated with *hedge*monic masculinity, which are upheld by men and women alike.

Norms: Taking Big Leaps

The culture at hedge funds encourages workers to take professional risks that benefit the firm. Taking risks is viewed as necessary to boost returns, advance one's career, and distinguish oneself from other investors. However, an invisible line separates what constitutes rational, calculative risk-taking in investments management and what ventures into the gray area of too much risk. This distinction reflects how *hedge*monic masculinity, in keeping with Connell's hegemonic masculinity, is defined in relation to marginalized masculinities and femininities. Thus, someone who is perceived as being too cautious risks being associated with femininity. Similarly, someone whose risk-taking becomes reckless—e.g. takes on too much leverage or risk in their portfolio—captures an marginalized masculinity that serves as a warning for compromising the expectations associated with *hedge*monic masculinity.

"Every trader will always portray themselves as being the one who is looking out for risk and they're not going to just take a shot," explained Craig, a trader who is a white man in his 50s. Craig stressed the tension between taking risk and taking controlled risk when he recounted his own approach: "The first rule of risk management isn't so much whether you make or lose money, but when you lose money, do you lose as much money as you thought you would lose." To Craig, risk management is about careful planning and control over one's trades.

Craig then recounted how the industry has changed in the aftermath of the 2008 Financial Crisis. The distinction between his concept of long-term risk management, which demonstrates the ideology behind *hedge*monic masculinity, and short-term risk-taking, which captures a marginalized masculinity, becomes clearer:

> I think definitely the days of glorifying big swing trader [a short-term strategy that invests in a stock trend over several days] are gone to the extent of oh, that guy made a $100 million last year, isn't he great. There's a little bit of skepticism. Did he just get lucky? What, did he just pile on the firm's money and make it that way? Definitely, people still admire and look up to or want to be the big trader who can push the market around, but there is a little more emphasis on consistency, [and] stability of results. Did the guy get lucky one year then bleed

> out in the years after? I think there seems to be a desire from especially these people—that the banks are starting to fund—they want to build an institution, not just make a quick buck.

As Craig's account demonstrates, short-term gains are associated with luck and power rather than mastery. The marginalized masculinity captures the "guy" who gets rich quick by following short-term trends in the market and flexing his might by buying a mass of stocks and forcing the market in the direction that benefits his investments. The ideals for *hedge*monic masculinity, in contrast, are apparent in Craig's description of the hedge fund manager who strives to establish a legacy and build an institution through investments that require long-term planning and a mastery of risk in the market.

These norms for risk-taking also carry over to how people plan their careers and take professional risks. When I asked about the keys to success in the hedge fund industry, hedge fund workers reflected on the long hours, hard work, and—most importantly—risk tolerance. Vincent, a white man in his late 40s, recounted what makes a worker successful:

> The ones that are most successful tend to be ones that are willing to take a step or two out of their comfort zone and learn. Those who do okay, but never phenomenally, usually it's because they get in a comfort zone in the job they are in: "It's a really good job. I'm making a million dollars. I never dreamed I would make a million dollars. I'm going to be quiet, and I'm not going to risk a million dollars." . . . The second personality profile is, and maybe it's just being overconfident, is "I can do anything. Failing is not an option. I better push the envelope." Those are the one's that are most successful.

According to Vincent, success stems from embracing discomfort and challenging safety. Security is inadequate: Success requires the assumption of significant professional risk.

Vincent demonstrates how workers rationalize the risks and long hours necessary to advance in an unstable industry. He reflects how the dominant ideology of *hedge*monic masculinity involves an idea about how to manage and negotiate risk-taking.

Margaret, an Asian American research analyst in her late 20s, emphasized the importance of "putting on risk"—in the form of asserting herself in investment decisions—to gain recognition at her firm. For Margaret, investment and professional risks are connected: Both are essential for making money and advancing your career. She explained how if one does not take risks, "You lose, and it's actually that final, because you don't get to make money unless you put on risk and if you never put on risk, you don't get to make money, in which case you don't get to go any further." Making big professional risks, by changing firms, making bold investments, or launching a new firm, can incur the greatest rewards—or great losses.

What Margaret said next demonstrates how ideas about normative femininity, like marginalized masculinities, are often posed in opposition to the ideals for *hedge*monic masculinity. These alternatives reinforce and define what constitutes *hedge*monic masculinity. Margaret suspected that taking career risks was something that held women back: "It's very non-intuitive to women to make leaps, but leaps are what this business is about." The notion that risk-taking is not intuitive to women reflects a common gendered discourse about risk in this industry (Fisher 2012).

Similarly, Deborah, a white woman in her 50s who founded her own firm, employed a gendered discourse about risk that cast men as more daring and women as more prudent: "It takes a certain kind of leap of faith that I can figure this out . . . And maybe that's a little bit more of a male trait of you know, you throw your hat in the ring . . . I think women like to stick in safer waters." Deborah's account reflects a discourse of gender essentialism, depicting men as more professionally daring and women as more professionally risk-averse. Yet Deborah herself took the risk of launching her own firm, which she attributed to determination.

Diane explained how she developed her risk outlook through experiencing failure during downturns in the market and learning that it is cyclical. She became comfortable taking on risk because she learned that losses generated opportunities for buying stocks at low prices that would result in huge pay-offs over time. She recounted, “That’s part of it, you get used to the turbulence, it doesn’t crash the airplane, it’s just annoying sometimes. And that takes time. I wish I could flip the switch and all of the woman in finance could become incredibly aggressive, but that takes time.” Diane echoes the dominant discourse that women tend to be more risk-averse, like in the accounts of Margaret and Deborah. This discourse is a central piece of the dominant gender ideology in finance that naturalizes assumptions about gender difference and inequality. This discourse not only serves to stereotype women, it also reinforces the ideology that upholds *hedge*monic masculinity, which is defined relationally in opposition to normative femininity and marginalized masculinity.

Diane then recounted her ideas about portfolio risk management, which demonstrate how both men and women alike reinforce the ideals for *hedge*monic masculinity. In contrast to a tendency towards aversion to risk that Diane identifies in other woman, Diane herself has a long-term approach to managing risk. She said:

> Over time, I was refining what risk meant to me, and I think that’s what differentiates me from other people. It’s really how do you define risk? What is risk? Because there are times when I want to take it, and I want to take a lot of it. And there are times when I want to back off and take it down a notch. Being able to identify that when you are in those environments, or being ahead of what you

think is going to happen is probably the better way to say it, is what makes me the best investor that I think I can be.

For Diane, risk management is about acquiring a long-term perspective, which puts failure in perspective and highlights how success happens through insights gained over time. Next, Diane directly connected her outlook on risk to her career and personal life demonstrating how hedge fund workers apply the ideals for risk management to taking professional risks as well: "And it carries over to other aspects of your life. Like I said, everything is cyclical, and I can see it with people. I can see it with virtually everything."

Identity: Personal Brand

The white-collar ideal worker developed a sense of identity through their firm, which served as the central organizing factor in the worker's career (Mills and Jacoby 2002). In the new economy, elite finance workers understand themselves as portfolio workers and develop an identity by constructing a personal brand, a cultivated professional reputation. For hedge fund workers, a personal brand reflects an approach to one's career as an asset or product that requires cultivation. Workers promote their brands by building a presence on social media, writing a blog or e-newsletter, or presenting at conferences. The goal is to gain industry recognition as an expert. This builds trust with future colleagues, employers, and clients.

Hedge fund workers stressed the importance of building a reputation, both internally within their firms and externally in the industry. For example, a manager told Gita, an Asian American woman who is a portfolio manager at a mid-sized firm, that she needed to build an external reputation to become partner at her firm. Gita described how her career involved two jobs: "The job of making the cookie and the job of selling the cookie are two hugely different jobs. The job of actually doing your job *and* the job of selling yourself, telling people, 'this is what I've done' and building that credibility." Gita felt pressure not only to fulfill her responsibilities at work; she also had to ensure that she gained recognition and established credibility.

Gita described self-promotion as more crucial to advancement than excelling at formal job responsibilities:

> You take two people: One spends 50 percent of their time doing the work and 10 percent promoting themselves, and another spends just 15 percent of their time doing the work and 50 percent promoting themselves. It's not entirely clear the one who does more work will do better and, oftentimes, the one who does more time and more effort managing their career does better.

Self-promotion is understood as more productive than task-oriented work because it solicits recognition. Once Gita cultivated her reputation by presenting at conferences and publishing a book, she gained recognition as an industry expert and her firm appointed her partner.

A personal brand also helped Jennifer to rebound after the networks she built over 20 years in the industry dissipated in the 2008 crisis. This prompted her to find new clients as she launches her own consulting firm. Jennifer approaches networking as promoting a brand: "By speaking at conferences and being out there and promoting, it reflects on the brand. That was a lot of how I was meeting people. And having my own company, I had to go back to that, putting myself out there and following through." Workers like Jennifer identify how establishing a personal brand advances their careers by gaining them recognition in the industry and access to clients.

Central to building one's brand is developing a personalized "investment thesis:" a theory of how to interpret the market. Hedge funds market themselves as providing “absolute” returns, i.e., performance is guaranteed regardless of market trends. Individual managers take pride in thinking independently and avoiding herd behavior, which refers to following trends established by other people’s investment ideas. Top hedge fund managers have renowned investment philosophies. For example, George Soros published several books on his theory of reflexivity, which anticipates trading cycles driven by market participants who follow trends and hastily speculate, as in the recent U.S. housing bubble. Another leading manager, Ray Dalio, published YouTube videos and newsletters that explain his “All Weather” strategy, which evaluates how relationships between parts of economies develop over time. These practices reflect a belief that an identifiable personal brand with an innovative investment thesis is required to attract investors in a highly competitive industry as well as to uphold a *hedge*monic masculinity that demands proof of mastery and independent thinking.

As Jeffrey, a white man and portfolio manager with over 25 years of experience, explained, a manager must have an original idea to start a firm: “I want to carve out my niche and I have the confidence with which to do what I’m gonna do.” Identifying a niche, and having self-confidence, is the investor’s warrant to launch a fund. Several people called this “variant perception”—industry jargon for a unique stance that differs from the standard market viewpoint. It reflects the *hedge*monic ideal for originality and nonconformity. At times, it also deters collaboration among colleagues.

One portfolio manager described how this culture fosters an independent environment. Lisa is an Asian American woman in her late 30s who manages one portfolio at a mid-sized firm. She explained how only one person could be the lead for each investment portfolio:

> It’s very independent. The industry in general encourages independent thinking. There is very limited collaboration among people. For instance, every portfolio

> has to have a sole portfolio manager [PM] structure. There can only be one trigger puller for every portfolio. You can't have a co-PM model. It rarely works out.

Each investment portfolio is driven by the portfolio manager's vision of the markets, which made it difficult to collaborate between two or more portfolio managers. Lisa's use of the term "trigger puller" reflects as association with a cowboy or military masculinity. It was common in my research for people to refer to hedge fund managers as cowboys, chiefs, generals, or kings, reflecting a distinctly masculine concept of leadership. While a personal brand appears gender neutral, a personal brand reflects an independent operator and has an underlying connotation inextricably tied to *hedge*monic masculinity.

Independent leaders are preferred because they are believed to foster "variant perception." As Lisa said, "In order to make money, you have to have independent thinking, you have to have a variant perception of a strategy, a single name, or a stock idea." Variant perception is desirable because it demonstrates innovation and an identifiable investment brand.

Reflecting a commonly held value for independent thinking in the industry, variant perception is a discourse that reinforces *hedge*monic masculinity. In practice, however, most investments are a collaborative process. Lisa pointed out this contradiction between the value for independent thinking and the role of social networks in influencing investment decisions. Rather than working independently, she explained, "In reality, people talk to other people who are also in the same industry who also cover the same kind of investment universe. And therefore, you see some overlap between portfolios." Lisa cited the "Tiger Cubs" as an example. The term Tiger Cub refers to firms that were founded by former employees of Tiger Management, one of the largest and oldest hedge funds in the industry. Julian Robertson, the founder of Tiger Management, provided the initial investment money for many of these Tiger Cubs, which use the same strategies and feature comparable returns. Lisa emphasized how this example demonstrated how "even though people encourage independent thinking, sometimes they will talk to their friends to verify the idea. For instance, if I like Apple for a stock and I talk to my friends, 'Do you also like Apple?' That sort of contagion exists in the industry."

Contagion, also called herd behavior, refers to how investment ideas spread through the industry. Investments that follow this contagion or herd behavior are generally frowned upon, because it contradicts a *hedge*monic value for independent thinking. It also narrows profit margins and inhibits investment returns. In some cases, herd behavior may be associated with insider trading. Yet despite these detractors, rapid price movements in the stock market—as a stock quickly gains upward or downward momentum—indicate that investors do share ideas about stocks and strategies.

Thus, contagion is indicative of the underlying social practices in the industry. While people described building an industry reputation through a personal brand and investment thesis, their accounts also suggest that reputation is largely based in trust-based networks that confer credibility. The personal brand rhetoric depicts workers as independent agents. It gives the impression that anyone can establish him or herself in the industry through reputation management using online platforms and professional associations. The personal brand rhetoric is a discourse that upholds *hedge*monic masculinity. In practice, a favorable reputation largely arises from interpersonal relationships and word of mouth built through social networking.

Embracing the portfolio worker mentality, hedge fund workers stressed the importance of building a reputation, which they call a personal brand. In contrast to the white-collar ideal worker who articulated a sense of identity through one's firm, a personal brand reflects an approach to one's career as an asset or product that requires cultivation. Similarly, an "investment thesis"—a personalized theory of markets—allows a manager to establish an identifiable brand distinct from other managers. Elite workers in finance brand themselves as independent, portfolio workers by establishing a professional reputation that allows them to build trust with their colleagues and clients. A portfolio worker cultivates an independent personal brand, which reinforces the norms associated with *hedge*monic masculinity.

Social Capital: Loyalty to Networks

In the past, the white-collar ideal worker demonstrated loyalty to the firm by developing close ties with coworkers and managers (Kanter 1977). Although workers in the new economy are expected to socialize with their co-workers, they are no longer the "company men" of the post-war era. Rather than focusing *within* a company, the most important networks are those that extend beyond the organization. In anticipation of firm turnover and downsizing, workers build networks both inside and outside of the firm to locate future job opportunities. In the financial services industry, social capital—the resources and benefits provided by one's location in a social network (Burt 2004)—provides access to promotions, job opportunities, investor bases, and other sources of institutional support. Social capital exposes a paradox in a context of insecurity: although workers are expected to operate as independent, autonomous agents, they also rely on a varied and wide social network in order to advance through external labor markets.

People "grow their networks" outside their firm by attending conferences and social hours. During fieldwork at industry conferences and events, people usually exchanged cards and followed-up promptly by email to establish a channel of communication and demonstrate professionalism, which helps to build trust. During first introductions, people often asked one another, "What can I help you with?" or more directly, "What do you need?" Exchanging favors like personal introductions or investment advice is normative behavior. As one person described, there is a "pay-it-forward mentality" in the industry: People are eager to extend a hand in anticipation that it will be reciprocated. Several people stressed how this helped to establish the trust and credibility that builds professional relationships. One man strategically emails his contacts periodically to avoid only contacting people for instrumental purposes.

For hedge fund workers, investing in social capital is an integral part of one's career. According to this mindset, you do not build, but *invest* in a network. People stressed the need to "leverage"—i.e., maximize—their networks, reflecting a distinctly financial view of social capital. Jennifer recounted how she "had been pretty successful at leveraging speaking at conferences" to find clients. Leverage also refers to an investment strategy where an asset manager borrows money to generate higher returns. Leveraging can be very profitable but involves higher levels of risk than traditional investment strategies. Using the term leveraging instead of networking reflects the discourse of risk management undergirding an ideology of *hedge*monic masculinity, in which one must take social risks and capitalize networks to advance professionally.

Gita emphasized the importance of building a network for her to advance in her career. Rather than informal social activities, she prioritizes formal networking like conferences as a more effective way to get face time with people in the industry:

> I have to be creative in terms of thinking about other ways to basically get in front of people. Because in terms of building your credibility, part of it is just being in front of people. Because they see you, they know who you are. You use things like conferences or industry events where you kind of be there and be present. And you have to carry yourself well and professionally. And a

> combination of being charming and pleasant and at the same time, knowing your stuff and being aware of the market and understanding the dynamics of whatever it is, the area you cover. And those are all the things I am trying to *leverage*, that I can pull, in terms of building my network.

Gita explained how being "in front of people" allows her to establish rapport and build trust. Exposure is key to building a professional reputation. For Gita, developing her professional reputation involved cultivating her personality and expertise as a way to invest in her social capital.

Gita's use of the words "charming" and "pleasant" reflects the gendered expectations in this industry for women, who are expected to have soft skills associated with normative femininity. These expectations are compounded by the fact that women tend to be concentrated in client-facing positions that involve managing relationships with high-net-worth investors and investment allocators from large institutions like university endowments, pension funds, and investment banks.

Gender dynamics also arise in how firms encourage people to form close social bonds by sponsoring social activities like dinners, fantasy football leagues, and physical sports teams. Some firms even host off-site retreats where employees travel to scenic locations to go white-water rafting, alpine skiing, or charity gambling. One larger firm initiates new employees into the firm culture at a karaoke bar and hosts annual relay races on the firm's remote campus. These kinds of activities facilitate group trust, promote bonding, and establish normative behavior.

In many cases, hedge funds even socialize colleagues to feel "like a family," as one man phrased it. Relations become "like a family" through social bonding and dating practices in the industry. Several people reported that it was common for colleagues to date, especially due to the tendency to overwork. The long working hours provided little opportunity to meet a romantic partner outside the office. One man I met at a conference recounted how at a friend's firm "they are encouraged to sleep together." He added that hiring materials feature married couples that met at the firm. At every co-ed event I attended, men commented on my appearance and asked me out explicitly on dates: One older man even suggested I meet his son and introduced me to his "handsome young business partner." Thus, boundaries between kin-like and kin-based relationships become blurry as people and firms actively encourage social bonding.

Yet not everyone could forge constructive bonds in these work settings. Women described how these social gatherings tended to center around "old boys' club" activities like drinking games. In some cases, sexual harassment prevented women from building trust with their colleagues. One Asian American woman lamented how men make racialized and sexualized comments about her appearance. She described how a male colleague made advances by saying, "How to you keep so thin? Do you eat egg rolls?" She looked at me, raised her eyes, and opened her mouth in astonishment: "You wouldn't believe the things people say to me." I often got the sense that women withheld the most egregious examples.

During interviews, however, people described how proto-familial networks and master/apprentice relationships mold select workers into future hedge fund managers. The latter involves building a close relationship with a hedge fund manager who serves as a mentor. A hedge fund manager generally refers to the primary investment decision-maker—the formal title is usually chief executive officer, chief investment officer, or lead portfolio manager (PM)—who founded the firm around his or her investment philosophy. Throughout my fieldwork and interviews, people referred to hedge fund managers as "chiefs" or "kings." One man called them kings and then caught himself (since he knew I was interested in gender), clarifying, "I intentionally said king because it's *always* a man." While this is not true in practice—several of my interviewees are women who run hedge funds—it captures the prevailing industry norms and beliefs that associate leadership with masculinity.

The industry's low numbers of women and minority men, combined with accounts of race-based networks, indicates the role of these chiefs and kings is not only gendered but also specific to race, ethnicity, and nationality (see Robertson 2014). Workers described the culture at hedge funds as like fraternities, which suggests racial homogeneity. The racial and ethnic connotation becomes even more apparent in references to firms spun off from larger institutions like investment banks and mutual funds. People sometimes referred to these firms, often predominantly white, as "tribes" to describe the practice of a successful investment manager who would leave to start a separate firm—often funded by money raised from the previous firm and investors—and brings along his or her entire team. The terms king, chief, and tribe reflect the way social ties are racialized in this industry.

To groom select workers into an investment tradition, a hedge fund manager hires people in whom he or she sees potential and then trains them in his or her personalized approach to investment management. When I asked Jay, a Latino man with a decade of industry experience, how he trained to work at a hedge fund, he responded:

> The business is very collegial. It feels like a family almost. One thing I learned immediately is there is a very strong mentorship environment. It's very patrilineal. What I noticed is, for example, my boss came from this place and he had been taught by this guy and then he had come from some other place. There was a very strong sense of that mentorship and master/apprentice type of relationship . . . One generation teaches the next generation who teaches the next

> generation. There's a strong sense of loyalty, there's a strong sense of kinship and family. It really does feel like a family.

Jay expressed pride in the sense of family, loyalty, and tradition in this industry. He identified a patrilineal structure where relations with senior professionals provide training and mentorship. In fact, his response to my question about training immediately identified networks as a key skill and way to gain the know-how of the industry.

Business schools offer few courses on hedge fund investment strategies, so most of the preparation comes from on-the-job experience. Developing technical skills in hedge fund investments is primarily learned from a more senior colleague. In this exchange, a protégé exchanges loyalty for skills developed under the manager's tutelage. A fund manager grooms an apprentice into his or her investment tradition and, if the protégé is successful, the manager may provide the seed funding for the protégé to launch a fund. When a manager takes someone on as a protégé, he or she is passing along an investment tradition for the protégé to carry on at the firm. This instills a sense of trust, loyalty, and even kinship.

When I met Jay at a networking event, he was surrounded by younger men, a group noticeably comprised of racial and ethnic minority men in a room filled with a sea of white faces. As we talked, he stopped intermittently to introduce the younger men to important contacts. I later realized that they were his protégés. Later, during our interview, I asked Jay how he develops these relationships. He responded, "As you get older, wiser, more experienced, you seek somebody that reminds you of you, who has that same ambition, that same passion, that same drive. And you teach them all that you know." According to Jay, mentoring stems from a sense of familiarity. His quote is also revealing of how elite structures are reproduced from one generation to the next.

What Jay said next demonstrates the significance of tradition in patrimonial firms. According to Weber (2012), tradition becomes recognizable when participants take the structure for granted: Patrimonialism feels natural to participants. Jay described how building relationships involves "this organic process whereby you see people that have the same mentality, the same passion. It's very tough to explain from a data perspective, quantitatively, how do you quantify that? You just see it. You kind of feel it. It's organic." Jay naturalizes the patrimonial structure by calling it organic, because he has been socialized into the tradition.

It became evident during my fieldwork that networks form along racial, ethnic, and national lines, as demonstrated by Jay's mentees at the networking event. Jay also provides insights into how these networks become segregated. He described how "people always try to place" him racially, as though he must be categorized. Even though his surname easily identifies him as Latino—which he verified by mentioning growing up in the southern borderlands and being the first generation born in the U.S.—Jay described how this is a focal point of his professional interactions, suggesting that racial/ethnic identify is a primary marker through which people build relationships and networks.

One black man, Matthew, reflected on the industry's diversity issues: "The diversity problem is that you have no black leadership. And when there aren't people in positions of power then the whole relationship game cannot be played." According to Matthew, it is necessary to forge relationships with people in positions of power. Without black leadership, it is less likely a manager will identify a black man as having potential as a protégé. Becoming a manager's protégé involves having a manager recognize the protégé as someone familiar, which forges a sense of trust and loyalty. In an industry dominated by white networks, this prevents racial and ethnic minorities from advancing.

Karen also recounted how a sense of loyalty to personal networks can prevent people outside of those close networks from accessing opportunities. She recounted how she was denied a promotion because the manager hired a familial connection of a colleague:

> Even some of my closest male colleagues would still love me, tell me things, and then make different decisions because, "Oh wait, I am sorry but so and so's brother needed to get hired. Shit happens." I don't think that's just reflective of working on Wall Street or at hedge funds or in venture capital, but when there's big money, greed, power, *people protect their own* [she slows for emphasis]. And sometimes it's the guy in the parish, the guy in the corner, the guy in the whatever. And it's very frustrating.

Because of the high monetary stakes in this industry, according to Karen, hedge fund managers rely on trust and loyalty-based networks—familial, religious, or local communities—when conducting business deals and hiring employees. People restrict access to resources for themselves and their personal networks. Karen also stressed the potential pitfalls of not gaining access to the dominant networks in finance. As a woman in trading, she recalled: "It was very clear that being a woman on the trading floor on Wall Street . . . that life is not a meritocracy. I don't golf. I don't live in Connecticut. I don't go to all of the same clubs. All those things matter."

Relationship-based grooming practices at hedge funds impact who advances in this lucrative industry. An apprenticeship style of education builds the loyalty and trust underpinning the patrimonial structure. The master/apprentice relationship exchanges loyalty for technical skill development. Hedge fund managers select protégés to groom and carry out their investment tradition. Unlike mentoring relationships, these practices may lead to the transfer of large sums of money. These master/apprentice relationships are predominantly patrilineal and familiarity-based, which places women and minority men at a disadvantage. Grooming practices are influenced by gendered and racialized networks, which provide a clue to why white men not only dominate in the industry, but also hold the higher-level positions.

While patrimonialism captures the social organization of the industry, *hedge*monic masculinity is the dominant ideology that justifies patrimonialism, as reflected in the financialized ideal for workers. In contrast to the white-collar ideal worker who demonstrated loyalty to the firm, the financialized ideal is to maintain diverse, external social ties to locate lucrative job prospects, business deals, and potential investors. In an industry with frequent firm turnover and collapse, networks persist when organizations disappear. As such, social capital becomes more literal as people capitalize on their social networks. Workers describe how they "leverage" rather than build networks, reflecting investments in social capital and a discourse of risk management.

At hedge funds, the ideal worker is a risk-taking enterpriser, yet not everyone is able to take the same risks, because valuable social and economic capital is often denied to women and minority men. In the following section, I demonstrate how perceptions of risk influence the wage-setting processes in this industry, which are distinct from previous understandings of the ideal white-collar worker.

Compensation: The Wage vs. The Wager

Under the standard employment contract, employers compensated white-collar workers for fulltime labor with a base family wage sufficient to support a family (Vosko 2009). Whereas the white-collar worker of the post-war era enjoyed a modest premium over his working class counterparts, the new economy features polarized wages (Piketty and Saez

2006). Wages have stagnated for working and middle class workers, as dual-earner households became the cultural norm and employers move away from the family wage. High-earners, however, have witnessed dramatic increases in earnings. The earnings among elite finance workers are decoupled from a household's needs; instead, high compensation allows these workers to become investment managers.

This expectation is apparent in the cultural logics hedge fund workers use when discussing compensation. At hedge funds, earnings reflect a wager between an employer and employee. Each actor risks money, time, and security for potential earnings, commensurate with the amount of risk involved. While workers wager on the firm's ability to generate revenue, the firm, according to people who ran hedge funds, wagers on a worker's potential to raise funds from investors or earn returns in the market. Workers describe performance-based wages that consist of a base salary and a bonus structure dependent on the firm and employee's performance. Thus, employment relations are akin to a partnership position: In exchange for assuming the risk of working for a small firm, workers incur a stake in its performance.

Hiring is a bet on the employee's future potential to generate revenue. Salary negotiations operate like a futures exchange: Each party agrees on a contract to secure a price and hedge against future risk. The starting salary can be understood as a stake: Money designated at the onset of the bet to represent the employer's investment in an employee's potential. If the bet pays off—i.e., the employee raises the firm's bottom line—the payout comes as a bonus. Thus, the firm appears to hedge against the risk of employees underperforming or departing by paying a base salary and reserves full compensation for after performance expectations are met. Employees wager that the employment will lead to professional advancement.

While negotiating a base salary, workers wager on anticipated gains and potential losses. The people I interviewed described how the prospective employer bases their offer on the possible revenue that an employee can bring in or the money saved by their labor. Fernando, a Latino man in his 30s, explained this negotiation process:

> When it comes to hiring an employee, [hedge funds] all look at it the same way. How much do they pay the employee versus how much benefit the employee brings? Either in terms of profit generation, if it's an employee that's in charge of bringing in profits with good investment decisions, or if it's an employee that is in more of the administrative side, how they are going to help the firm manage the operations more efficiently. They'll look at how much money can this employee save us by hiring him, and they'll make the decision based on that.

According to Fernando, employers evaluate a prospective employee's value based on the anticipated contribution to the bottom line. Whereas white-collar employees' salaries are at least in theory based on expected outcome of labor, hedge funds workers expect their earnings to reflect their perceived potential to generate profits and improve cost-efficiency.

A worker's potential is determined by past performance, tenure, social connections, and credentials. According to my interviewees, inexperienced workers are a riskier wager, so access to elite networks and credentials, like an Ivy League education, signal this potential. Tenured workers with a strong reputation can demand higher wages and better terms. One described how after selling his firm and briefly retiring, he pitched a job to top firms by convincing each firm that he would improve their business model and bottom line. This gave him more control over the employment terms, as the firm perceived him as a less risky hire.

After the hiring process, the wager continues to determine compensation. Hedge funds are evaluated by financial statements, and so are hedge fund workers. Workers are socialized into a culture of calculation and investment risk-taking in which employee and firm progress are evaluated in accordance with the fund's financial statements. As Margaret, said, "One of the beautiful things about hedge funds is that because they are small and they are flat, the metric of success is so objective: It's did you make money today? Is it green or is it red?" When profitable, firms distribute bonuses according to each individual's perceived contributions.

However, support functions, like accounting, are compensated less than investment and sales positions, which are perceived to more directly impact the firm's bottom line. The support jobs—called the back office—appear to be avenues through which women and/or minority men enter the industry, which contributes to the gender segregation and wage inequality in the industry. The lower earnings are justified with the assumption that support roles neither bring in money like sales positions nor directly generate money like investment positions.

In response to these perceptions of value, workers manage their careers like an asset, believing that contributions to the bottom line—through investment returns or funds raised from investors—will advance them professionally. According to Gita: "If you want to make it to the top, you have to focus on the bottom line, and that's gotta be either bringing in assets or bringing in performance . . . If you do this awesome job, but it doesn't contribute to the bottom line, does it really matter?" Success stems from raising money from investors and generating investment returns: All other contributions do not matter. As Diane warned, "At the end of the day, it's your rate of return, because if you don't have one, you probably won't be in the industry."

Workers described how their own contributions to the firm's profits fosters a sense of shared ownership. This differs from the standard employment contract in that commitment to the firm does not stem from the firm's ability to retain and support them over time. Workers felt that they had a stake, or an investment, in the firm that inspired dedication. When I asked about his firm's culture, Scott recounted how the compensation system cultivates a sense of shared ownership in the firm. Scott explained:

> There's an ownership culture here. Everyone here will share the profits of this firm when it's profitable and everyone will not be compensated as well when the firm is not profitable so we're all pulling for the same thing which is a profitable business.

Thus, the workers incur the risks because if the firm performs, they benefit financially; however, if the firm flounders, the workers' earnings suffers. In this sense, they share ownership of the firm. However, they do not have equal say in the firm's management.

This shared ownership culture stems from a sense of individual risk. This is evident in the account of Craig, who recounted how his firm restructured the incentive system for traders. Previously, the compensation system rewarded individual performance. Now bonuses are based on team performance, which impacted how he approached the risk-level of his trades. In the previous system, Craig evaluated risk based on what he personally could afford to lose:

> You're not seeing the whole picture anymore. You're worried about your individual drawdown [investment decline], but you are no longer worried about the firm's risk. It becomes the risk manager's job to manage that. You worry about your own individual PnL [profits and losses] risk, about what you're willing to lose in order for it to be profitable to keep trading, but you don't worry about the firm's overall risk.

This compensation system—a common model in the industry—transfers risk to workers and encourages individual risk-taking, which helps to explain the high incomes in this industry.

After Craig's firm implemented team-based pay, the performance of the dominant trader, who traded 75 percent of the team's total allocation, determined the compensation. If this trader performed, the whole team profited. If his performance faltered, everyone lost. Craig could take on more risk without being penalized, yet he had no incentive to excel, because he would not be rewarded in pay or recognition. Craig lacked a sense of control or stake in the firm's performance, which prompted Craig to return to the job market for the fourth time in less than ten years. He left to regain a sense of autonomy and recognition emblematic of *hedge*monic masculinity.

Hedge funds socialize workers into a culture of calculation and investment risk-taking. Employee and firm progress are evaluated in accordance with the fund's financial statements, yet this leaves support functions with fewer earnings than investment and sales positions, whose contributions are more easily calculable. In this environment, workers manage their careers like an asset to increase their contribution to the bottom line, either through increasing investment returns or investor capital. Contributing to the firm's profits fosters a sense of shared ownership among workers, especially those who most directly benefitted from the bonus structure (e.g., investor relations and investment personnel). These workers felt that they had a stake in the firm. This stake, however, largely stems from their own measurable contributions—in sales numbers or investment returns—rather than a sense of collective dedication to the firm.

For elite finance workers, the family wage has been replaced with the wager: a bet between a prospective employer and employee that designates shared ownership in the operating risks of the firm. From these workers' perspective, each actor incurs risk in the pursuit of shared profit. While a worker wagers on a firm's prospects for generating revenue, firms wager on whether prospective employees will contribute to the bottom line. Base salaries reflect a stake in the wager, and bonuses are payouts if the wager pays off. Thus, compensation structures operate akin to taking a risky wager that involves assuming ownership in the firm. The financialized ideal worker is one who embraces risks to get ahead, since "leaps are what this business is about." The financialized ideal is a risk-taking entrepreneur who invests to move and accumulate money. Workers then suffer the consequences when risk-taking fails; as such, they serve as independent partners who share a sense of ownership in the firm.

This wager appears gender neutral, but reflects gendered assumptions about taking risks described above. The wager reflects a cultural value in risk-taking that blurs personal, professional, and investment risks, which may be greater for women or minority men who do not have the benefits of whiteness and masculinity to fall back on. Furthermore, the gendered discourses about risk-taking used by Margaret, Deborah, and Diane in the section on industry norms provide a clue to how gender, specifically notions about masculinity and femininity, shape perceptions of value in this industry. In a context where measured risk-taking is valued, beliefs that woman are more risk-averse may penalize them and prevent them from embodying the financialized ideal worker.

CONCLUSION

This chapter explored how elite workers make sense of employment conditions and expectations for workers in the new economy. The financialized ideal worker is a professional risk-taker who repeatedly changes positions, organizations, and even careers. An innovative, passionate self-starter and an active contributor to the firm's bottom line, the financialized ideal worker reflects a belief that workers should approach their careers like assets, requiring ongoing investments in the form of resources, development, and management. Embedded in this ideal are neoliberal ideas about profits and efficiency that foreground the worker as an independent actor. This ideal assigns risks and responsibilities to elite workers, who describe employment-hedging strategies that turn workers and their careers into financial products—a coping strategy for dealing with unstable and unpredictable careers.

The financialized ideal for workers differs from the traditional white-collar ideals in five important ways. First, a passion for investing in financial markets is the primary cultural value that motivates their devotion to work. Second, workers describe being socialized into a professional culture that sets norms for risk-taking. Third, rather than identifying with their firm, workers express a sense of identity in their personal brand, an asset or product that requires cultivation. Fourth, a sense of loyalty to one's networks has replaced loyalty to one's firm. This is characteristic of a patrimonial system in which relationships among workers form the foundation for the firm structures. Finally, the family wage has been replaced with the financialized wager: a bet between a prospective employer and employee in which each actor incurs risk in the pursuit of profit. The wager rewards risk-taking and blurs the distinction between personal, professional, and investment risks.

In this chapter, I find that the financialized ideal worker appears gender neutral yet reflects underlying expectations for masculinity that work to legitimize men's domination in finance. Elite financial workers establish a personal brand as a portfolio worker that reflects a new configuration of *hedge*monic masculinity that values independent behavior in the stock market. In a patrimonial system, masculinity facilitates valuable social capital for men, especially those who are white. The wager that sets compensation appears gender neutral, but reflects essentializing stereotypes about gender and risk-taking that often penalize women.

Chapter 5: Reaching the Top

What allows people to launch their own hedge funds? In this chapter, I focus on the findings from 14 people in my sample who had founded a hedge fund. I refer to these people as hedge fund managers because they are in a leadership role at their firms. Of the 14, 10 people served as the primary investment decision-maker at the hedge fund. The remaining four—Scott, Farrah, Karen, and Margaret—served as head of research, operations, or compliance.

I find that starting a hedge fund requires social and institutional forms of support, which is largely consistent with the literature on small business owners, entrepreneurs, and family enterprisers (Bessière 2014; Lane 2011; Viscelli 2016). Yet, in this context, the risks that people take to become hedge fund entrepreneurs provides them with access to large sums of money. This amplifies the level of rewards and the person's ability to pass along wealth. This helps to explain the reproduction of the patrimonial organization of the industry and how it structures access to the high incomes.

In the following sections, I first examine the leading discourse that rationalizes wanting to become hedge fund managers: financial security. I examine how this discourse reflects expectations tied to *hedge*monic masculinity, specifically for autonomy from bureaucratic institutions. Next, I discuss the necessary preconditions for entrepreneurship in the hedge fund industry. Each hedge fund manager I interviewed benefitted from at least one of these conditions. The first condition requires personal ties to wealthy investors who provide the initial funding. The second features a manager at a previous employer who provides both training and funding. The third precondition is a precipitating crisis, such a poor performance or a stock market crash, which provides an opportunity to spin off a business unit into an independent hedge fund. I argue that patrimonialism and *hedge*monic masculinity naturalize these conditions, especially the trust-based relationships that favor white men.

FINANCIAL SECURITY

Hedge fund managers described their ultimate goal as achieving financial security, which several people defined as complete financial independence. Financial security is a common discourse among hedge fund managers that reinforces *hedge*monic masculinity and legitimizes the high incomes in this industry. Unlike the financial security sought after during the period of shared prosperity—lifetime employment, a living wage, and incremental advancement—these elite workers imagine financial security as the ability to retire. Rather than achieving security in the sense of a nest egg or safety net, financial security refers to liberation from all financial constraints for life. The discourse of financial security reinforces an ideology of *hedge*monic masculinity, by casting the accumulation of wealth as a masculine ideal.

Jeffrey, a white man who has been managing hedge funds since the 1990s, explained how money represented independence to him. When I asked him to elaborate on what he means by that, he responded:

> To me, money is independence in that I'm not a spender, I'm not a consumer, and I, believe me I quit [top-tier firm name deleted] and took four years off to travel, so I have my own view on—I'm not going to get into the philosophical thing, but to me money is independence. It's not, "Hey, I can buy a fancy car or I can get my wife bigger earrings." That just doesn't interest me.

Jeffrey reiterated that he did not value money for the material goods it brought, but for how it gave him a sense of independence, which reinforces the status associated with *hedge*monic masculinity. Traveling symbolizes that freedom: The ability to drop everything and disconnect without feeling the pressure to pay the bills. To Jeffrey, money is a means to live a particular lifestyle. However, the lifestyle he values is not one of consumer capitalism and designer goods, but one of leisure and mobility.

Several recent startup founders described similar motivations. Jerry, a Latino man in his 20s, described being motivated by a love of investing and a goal of "complete financial security." When I asked him to define this catchphrase, Jerry responded: "total financial independence." He explained how he saved up money to start his fund. His received an inheritance after his father died, which he invested while employed at an investment bank. Jerry said the time was right because he was young, unmarried, and childless, so he thought that he could take the risk without jeopardizing a family. He echoes a common discourse in the industry that entrepreneurial risk-taking is incompatible with a masculine status in the family.

Similarly, Jamie, a mixed-race man in his 30s, was in the process of launching a hedge fund. He also expressed a goal of financial security. Jamie recounted how moving up the corporate ladder left him unsatisfied. Jamie had it all: a professional job, a promotion in sight, a family, and a house in the suburbs. He described his previous lifestyle as "The American Dream," yet he found it unfulfilling and felt dispassionate about his work. Jamie's mentor was a law school professor who started investing on the side and made enough money to retire at age 42, yet continued to work because he loved his job.

Jamie said that his dream of financial security stemmed from being raised in a lower-middle-class household in the South where money was a constant source of tension. While he identified having everything he needed, any extracurricular activity, even going to college required a sacrifice from his parents. He did not want money to limit the opportunities available to his own daughters. Jamie emphasized that this was not only his dream: He and his wife shared this dream for their family. Jamie detailed his long-term goals and what it would look like when he reaches the top his of career. Jamie said, "So I want, *we want* [emphasis mine], for top of the career, for our daughters to have these great opportunities that we didn't have when we grew up, so that means a lot."

My interview with Jamie demonstrates how financial security involves an ideal for being able to work out of passion, rather than necessity. He explained, "Going back to financial security, financial independence, top of career is I'm doing what I'm doing because I just want to, not because I have to get paid. So to me that's top of career." Financial security previously implied a steady monthly paycheck, incremental wage increases, and lifetime employment security; now it means having enough money that one could, in theory, retire but continue to work out of a passion for investing. Jamie upholds the discourses of passion for investing and of financial security, which reinforce an ideology of *hedge*monic masculinity. Within this system of beliefs, passion, autonomy, and security are associated with the status conferred to masculinity.

An unspecified amount of money defines financial security: It captures an abstract idea of wealth, like winning the lottery. Jamie said, "I've had these dreams and then my wife and I talk about these things and it used to be conversations about what would we do if we won the lottery? And in a way, this is kind of our lottery ticket, but our lottery ticket that we might have more chance at winning." For Jamie's family, his business represents a somewhat more likely chance to win the lottery.

When I asked Jamie what that position of security looks like to him, Jamie reflected on reaching "the number" that represents financial security:

> I don't know what number that is because living standards change and inevitably when you have more, you kind of want more, but there's going to be a point

> where we've got everything we need. I guess you could say that we had everything we needed when we were in our suburban lifestyle but it wasn't what we wanted. We felt like we wanted more.

At some distant point, Jamie anticipated that his family would have everything they need. Yet, he also acknowledged that all of his needs were met in his previous suburban lifestyle as a corporate attorney. What Jamie said about the specific number that captures the amount of his "lottery ticket" provides a clue to why incomes keep increasing in this industry: The number keeps moving upward as the person adjusts their standard of living relative to their new wealthy peers. This provides insight into how the status conferred by *hedge*monic masculinity is always relative, based on the proximate marginalized masculinity. Jamie captures how the benchmark for what constitutes the ideal lifestyle changes as one climbs the hierarchy of masculinity and social class.

When I asked people what will it look like when they reach the top of their career, a common response was to make enough money to be able to pursue their retirement goal, which usually represents an intrinsic social good to them. For example, one wanted to pursue a doctorate in economics and work for the World Bank to promote sustainable development. Another wanted to turn her philanthropic involvement with a children's cancer initiative into a fulltime pursuit. Yet, the number that represents financial security varied. One thought that $50 million would be a modest amount to found a trust for his family and support philanthropic causes. The "number" snowballs as people advance in their careers. For the most part, it is always out of reach because there is continually another threshold to pass: another raise, a bigger bonus, a wider profit margin, or more assets under management. This is perhaps indicative of the relative ideals for *hedge*monic masculinity, which are always defined in relation to one's peers. The further one advances in their career, the standard is set higher and higher.

Hedge fund managers described being motivated by a goal for financial security. Financial security is a discourse that upholds *hedge*monic masculinity. Within this discourse, financial security represents a state of individual autonomy and freedom from financial constraints (Fridman 2016). Becoming independently wealthy presents a way to eschew the constraints of bureaucracy—symbolized by the corporate job—and live according to one's own terms. However, achieving this *hedge*monic ideal requires one of several preconditions that provide access to wealthy networks.

NECESSARY CONDITIONS

While hedge fund managers recounted a dream of financial independence as the primary motivator inspiring them to launch their own hedge fund, one of three preconditions were needed to facilitate the pursuit of this dream. In the sections that follow, I examine three possible conditions that allow someone to start a hedge fund. These include having personal ties to wealthy investors, having a manager at a previous employer who provides training and funding, and/or having an opportunity arise from financial distress at one's employer.

1. Personal Ties

Made possible by financial sector deregulation, the hedge fund industry grew as a less regulated and more lucrative alternative to investment banking. Hedge fund managers have launched firms by procuring seed money from wealthy investors, elite networks, and professional mentors. Traditionally, high net worth individuals and families were the primary investor base. Today wealthy families constitute eight percent of investors (Preqin 2015). Most operate through "family offices," capital pools of family estates and trusts managed under a fund structure to fund philanthropic endeavors or establish wealth for subsequent generations. In some cases, a family member manages the fund, while others hire investment professionals (the Rockefellers are an example). Over the past 20 years, family offices have transferred their money from traditional investment vehicles to hedge funds to increase returns.

For the wealthy, investing in a hedge fund signifies class distinction. Cynthia, who entered the industry in the mid-1990s, recounted the status of a hedge fund investor, "By the time 2002-2003 came around, the biggest thing you could do when you went to a cocktail party is say, 'I'm a hedge fund investor,' because that meant you were accredited and had a lot of money." Since the S.E.C. requires that hedge fund investors have a minimum net worth of $1 million and an annual income of at least $200,000, calling oneself a hedge fund investor allows people to signal their wealth without disclosing the exact size of their fortunes.

Karen got her first opportunity to start a hedge fund in the 1990s as the result of funding from a wealthy family. Initially, she and two colleagues—"one was a significant portfolio manager in the business"—invested money for a large family office. Then she and her partners used that foundation to manage a portfolio for a broader group of investors who they recruited through a number of channels. Karen recalled:

> We then used the track record and went back to our roots. We went to large institutions, we went to consultants, went to other families and foundations. There's pretty much x amount of buyers in the world and x amount of sellers, so if you come out of the institutional business, you understand the process of who are the gatekeepers and who are the direct buyers, so we just used our Rolodexes and started calling. And the consultants, you have to get in their process so we

> would present to them. And then the foundations, we would get on panels. That's how you build your business.

Once Karen and her colleagues had received the initial funding from a family office, they were able to build a track record and used their professional networks to recruit other institutional investors.

Other people recounted how they located initial investors through familial, racial, ethnic, and religious networks. One hedge fund manager, Jeffrey, a white man in his 40s, explained how he found investors when he launched a hedge fund in the 1990s:

> The client base was primarily some very large European families . . . My partners were very, very wealthy European families that were plugged into that world. There was no way you or I or anybody was going to pick up the phone and call these families . . . Wealthy French people don't take incoming calls. [Pauses to think] It was very much a network effect.

Jeffrey accessed wealthy networks only by having a business partner from a rich European family. People without ties to family wealth could never access these investors.

At age 18, Ken, a white man in his late 40s, started his own hedge fund with investment funds provided by his family and friends. Several friends of Ken's father, who was the dean of a business school and ran a hedge fund on the side, each invested $25,000. In addition, Ken raised $10,000 from his grandparents, $10,000 from his mother, and the remainder of his $200,000 in seed funding came from his father. He explained how this amount of money fell under that which would have required him to be registered with the Securities and Exchange Commission. Later, he raised additional investment funds after establishing a track record. By age 21, he was featured in the *Wall Street Journal* as the leading fund in his strategy. The newspaper posted his phone number, which then started "ringing off the hook." In a matter of months, his hedge fund went from $200,000 to tens of millions in assets under management.

Other people also mobilized investments from their own familial networks. For example, Brian, a white man who single-handedly ran his own hedge fund with $200 million under management for 20 years, raised capital from his former manager at the investment bank, the synagogue in his hometown in the South, and the parents of several ex-girlfriends. Meanwhile, Jerry's early success at an investment bank allowed him to grow capital from his father's inheritance. Jerry also stressed the importance of his personal access to Mexican assets: He was able to "mobilize money from Mexican assets transferred across the border because of the conflict in northern Mexico, in places like Juarez." Jerry described his approach to money management and market analysis as cautious, because his "partners"—i.e., his investors—are from his family's social networks. He felt both a personal and professional responsibility to succeed.

While in some cases, members of racial and ethnic minority groups like Jerry are able to profit from non-white networks of wealth from places like Mexico, India, and China, it is far more common for people to describe white-dominated networks of investors. My sample has a lower proportion of white people—33 out of 45 people—than among hedge fund managers in the industry as a whole, which is overwhelming led by white men (Barclays Global 2011).

Wealthy networks facilitate the success of some, while precluding others. Several people who are racial/ethnic minority group members stressed how their personal networks did not endow them with the same capital as their white colleagues, preventing them from launching a firm. As Matthew, a black man in his early 40s, explained:

> [The diversity problem] starts from one thing and one thing only. Two separate people want to start a hedge fund using the exact same concept in terms of the

fund. One will have access to people with capital. The other will not. That's the difference between who can start a hedge fund and who can't.

Matthew's account supports previous research that documents how black financial professionals struggle to access white wealth (Bielby 2012). While several people, like Jerry, located funding through transnational racial and ethnic minority networks, the amount of wealth available from networks of white investors surpasses that of racial and ethnic minorities.

Due to the large sums of money involved, highly successful hedge fund managers nearing retirement transition their firms into family wealth offices to manage their personal fortunes. Examples include top earners like George Soros, Carl Icahn, and Steven Cohen (Goldstein 2014; Prince 2013). In 2002, Soros appointed his sons, Robert and Jonathan, to oversee investments at the Soros family wealth office. However, in 2011, the elder Soros replaced his sons with another protégé, employee Scott Bessent (Ablan and Goldstein 2012). Soros later provided $2 billion in seed funding for Bessent to launch his own hedge fund (Burton 2015). Meanwhile, Soros' son, Jonathan Soros, plans to establish a family office with his own wealth. Soros is not the only hedge fund manager to pass leadership along to a son (Copeland 2014). Upon his retirement, Warren Buffett plans to transfer leadership of Berkshire Hathaway to his son. Other billionaire hedge funders provide the funding for their sons to launch their own firms. For example, Andrew Marks, the 28-year old son of billionaire Howard Marks of Oaktree Capital Management, is launching a firm with a $200 million seed investment from his father.

I found no record of this being done for daughters, which is consistent with research on other family businesses (Bessière 2010). My interview with Justin, a white man in his 50s who has run his own hedge fund—with no employees—with $50 million in assets under management for the past 20 years, provides insight into why. He had adult daughters, one worked in finance, whom he expressed reservation about directing into hedge funds. He said, "Do I want to steer my daughters into this industry? I would help them out but I don't know [if I want them to], because it's very much an old boys industry." Justin expressed concern about his daughters' wellbeing entering into an industry dominated by men, which may help to account for why sons rather than daughters appear to follow their father's careers.

Meanwhile, Justin described how having the financial support of his wife's corporate job enabled him to take the risk of starting a firm 20 years ago. Justin went to business school at an Ivy League university in the 1990s where he met his wife. She worked at a large private equity firm to support their growing family while he launched the hedge fund from their home. He mentioned twice how he still works from home where he enjoys getting to play a more central role in raising his daughters. He said, "It's a great industry if you care about your family, because you can do your work from home. It's actually one that lends itself to having a family."

Jamie also explained how the financial support of his wife enabled him to start a hedge fund. Jamie explained how his middle class background did not provide many opportunities to find investors. Unlike many managers who rely on family and friend networks from wealthy childhoods, Jamie "didn't go to private school." Instead, he relied on financial support from his wife as he builds professional networks to find high-net-worth investors. He recounted how she was returning to work, after spending three years at home with the children, to provide for the family. Jamie said, "I couldn't do this without her," referring to her emotional, intellectual, and, soon, financial support. For hedge fund founders like Jamie, entrepreneurship required support from a spouse, which is consistent with research on men in technology whose wives financially support them during periods of unemployment and entrepreneurship (Lane 2011).

The accounts of hedge fund managers demonstrate how access to wealthy social networks is a necessity for launching a fund. Hedge fund managers launch firms by procuring seed money from access to wealthy investors, elite networks, and professional mentors. Initial investors were often located through familial, racial, ethnic, and religious networks. All reflect patrimonial structures enabled by trust networks based on a shared sense of loyalty among families, friends, and colleagues. These patrimonial structures are predominantly based on relationships among men and are often organized according to race and ethnicity. In the absence of wealth networks, some hedge fund managers relied on the support of a spouse, as they built social networks in the industry.

2. Patrimonial Firms

The second precondition is training and seed funding from a hedge fund manager. As detailed in Chapter 4, hedge fund managers groom protégés to carry out their investment tradition. An apprentice style of training build the loyalty and trust underpinning patrimonialism in the hedge fund industry. This tradition may lead to the transfer of large sums of money to seed a protégé's firm. Investment networks formed from master/apprentice relationships reveal a patrimonial firm structure where a manager begins a lineage of affiliated firms guided by shared investment principles and whose funds bolster the manager's overall asset base. Along with seed money, protégés gain access to guidance, especially when seeded by a professional mentor who has groomed the protégé to carry out his or her investment tradition. These master/apprentice relationships are predominantly patrilineal and familiarity-based, which often prevents women and minority men from accessing them.

Some investment strategies are sustained with a small asset base, so for larger hedge funds, seeding other small firms allows for more opportunities to generate returns. As the most successful hedge fund manager in the 1980s and 1990s, Julian Robertson earned the nickname the "Wizard of Wall Street" (O'Keefe 2008). He launched his firm, Tiger Management, in 1980. Over the course of 20 years, the firm averaged net returns of 25 percent a year and peaked at $22 billion in assets. Today, Robertson actively manages his own money from his family office atop a Park Avenue skyscraper called the "height of perfection" (Abelson 2015).

Robertson's protégés founded successful firms commonly referred to as the "Tiger Cubs." For some, Robertson provided the seed funding, which reflects a practice of reciprocity for a protégé's loyalty and commitment. The number of affiliated firms—the Tiger Cubs and Grand Cubs—is estimated to be 120, and the total assets under management of the 62 firms registered with the S.E.C. is over $250 billion (Altshuller, et al. 2014).[10] Tiger Cubs include top firms like Stephen Mandel's Lone Pine Capital, Andreas Halvorsen's Viking Global Investors, Chase Coleman's Tiger Global Management, and Lee Ainslie's Maverick Capital. Since 2006, Robertson's protégés outperformed the Standard & Poor's 1500 Index by 53.9 percent (Altshuller, et al. 2014). These firms feature similar investment philosophies, strategies, and performance outcomes, suggesting Robertson groomed them to perform according to his model. In other words, they feature a shared investment tradition.

Investment networks like the Tiger Cubs are indicative of patrimonialism: One fund manager starts a lineage of affiliated firms guided by the same investment principles and whose funds bolster the manager's overall asset base. Robertson's wealth was

[10] The Securities and Exchange Commission requires firms to register and file reports quarterly if they have over $100 million assets under management. The 58 firms omitted from Novus' estimate are either too small, inactive, or fund of funds (firms that invest in other hedge funds).

generated not only by his own investment fund: He trained a series of protégés and funded them to start their own firms. Thus, he benefitted from hiring, grooming, and seeding protégés. The Tiger Cubs demonstrate how seeding practices do not only stem from familial ties, but also from proto-familial ties within a patrimonial firm.

While none of the people I interviewed were founders of the "Tiger Cub" firms, I spoke with several hedge fund founders who received partial or full seed funding from a previous manager or colleague. For example, Brian, introduced above, described having the support of the manager who trained him at an investment bank. Like with Julian Robertson's Tiger Cubs, Brian's former mentor trusted Brian to invest his money because he had trained Brian into a particular tradition of investing that he endorsed.

Two hedge fund founders, Farrah and Margaret, reflect another type of patrimonial firm in which colleagues at a previous hedge fund who are trained in a shared tradition leave to start their own firm. Neither Farrah nor Margaret joined in a portfolio manager role. Farrah raised funds from investors by marketing the firm to the client base she had built at previous firms. She explained how one partner, the portfolio manager, had a strong reputation and track record that investors trusted, so she was able to convince them to provide seed funding. The dynamic between Farrah and her partner reflects a common gendered division of labor at hedge funds, where women work in client facing positions and men work as investment decision-makers.

The hedge fund industry relies on an apprenticeship style of education, which allows for employees to build strong bonds with one another and their manager. This system of education presents opportunities to venture out and start once one's own firm, especially when a former manager provides the seed funding. When hedge fund employees are groomed into an investment tradition, over time they receive access to training and investor funds that enable them to start their own hedge funds.

3. Financial Distress

The third major condition that enabled hedge fund founders to launch their firms was financial distress at their previous firm, usually prompted by a financial crisis. For example, when I asked Vincent what led him to start his own firm, he responded, “It was very opportunistic.” He explained how he had been working at a large investment bank, and he created a new business space at the firm: “I started in this firm and within 18 months, I was running a desk [a business unit]. So it was a rapid ascent. I started something they didn’t have. I used my legal skills to expand on a concept. That’s kind of how it rolled out.” After taking a job at an investment bank, Vincent identified a new investment area and then ran his own business unit. He was able to develop his business while housed within a larger investment bank.

In 1998, the Russian Debt Crisis caused the firm to have financial distress, which provided an opportunity to break off from the larger institution. When management asked for volunteers to quit the firm, and Vincent turned this into an opportunity. He recalled:

> The firm that I was working for after they had asked me to build, or help build, this institutional asset management business, got into trouble in the Russian Debt Crisis of ’98 and they were looking for volunteers [to leave]. And so I took a long shot and said, “Would you be upset if I took this team out and created my own thing? I’ll take care of all the clients. You’ll never have a client issue. Clients love me. They’ll travel.” And they said, “Well, we can’t say yes.” But they winked or blinked or whatever and I did it.

Although the firm did not formally endorse him leaving with an entire business unit, they looked the other way because it freed them from a source of financial distress. Vincent moved the business unit “out of the investment bank, joined with a competitor, made a twice as large size firm.” He and the competitor each had about $15 or 20 billion in assets under management, and they quickly increased the number of assets to $50 billion. Over an 8-year period, the firm grew to over $200 billion in assets under management so they sold it and retired.

The financial crisis of 2008 provided two other hedge fund founders with the opportunity they needed to leave investment banking. Like Vincent, both of them had developed a business platform at an investment bank and then turned it into an independent hedge fund. For example, Deborah is a white woman who runs her own hedge fund and has over 30 years of experience in finance. She grew up on a farm in the Rocky Mountain West and completed a doctorate in Statistics from the University of Chicago. Although she planned to become a professor, she became interested in alternative paths towards the end of her program. She asked her professors what to do with a math degree outside of academia. One statistics professor advised her to go to New York and work at an investment bank. She recalled the professor saying, "There are these investment banks that hire mathematicians. They're not rocket scientists, but it's pretty interesting work."

So Deborah packed her bags and moved to New York to take a job at an investment bank. She recounted, "At that point in the mid-80s there were a lot of jobs available. Everyone was looking for people with my skillset as well as many other skillsets. It was just a boom time in the business." She started in research and modeling, which diverted her from the more popular trading path and prepared her for portfolio management. After a decade, she moved into and eventually ran the proprietary trading unit, which trades the firm's own money rather than investors' money. This appointment, she recalled, was "meant to be an honor [firm name deleted] gave people to prepare them to go to hedge funds."

During 2008, Deborah's employer underwent substantial hardships. A headhunter who needed someone to manage a new hedge fund platform called the firm and Deborah's boss recommended her. She had been planning to start her own hedge fund, so she took the opportunity. Deborah explained how she felt prepared to do so because of the culture at her previous firm:

> Luckily at [firm name deleted], it was a very entrepreneurial, aggressive place, so I had been basically running my own business for a long time. Not just trading, but actually managing the expense side of the equation as well and hiring so it wasn't that huge of a step to go to a hedge fund but it's all incremental. It's kind of all an evolution of one's career. So it never seemed like the right decision next, it just happened.

Deborah recounted how the process of working her way up in investment banking provided her with the skillset that allowed her to launch her own firm. The entrepreneurial culture of the firm where she worked taught her how to run her own business.

Despite feeling frustrated with the political dynamics of investment banking, Albert, a white man in his 40s, also recounted how he acquired the skillset for becoming a hedge fund manager by leading business units—that employed hedge fund investment strategies—at investment banks. To Albert, the regulatory changes in response to the crisis provided an opportunity because of the "permanent reduction in risk capital on the part of the banks." He said, "In my mind, if there was ever a time to really to take the gamble and see if you could build something by yourself, then it was then." Whereas financial crisis provided an opportunity for Vincent and Deborah to leave firms in distress, Albert identified it as a moment in which he could capitalize from opportunities brought about by foreseeable changes at investment banks.

CONCLUSION

Overall, the people who started a hedge fund described themselves as primarily driven by a goal of achieving financial security. This goal is largely unattainable for most people in the U.S., even for those who work at hedge fund. This dream of financial security is a discourse, rather than a common realty, that reflects an expectation for a type of autonomy defined by vast amounts of wealth. The expectations captured by the discourse of financial security reinforce the norms for *hedge*monic masculinity, specifically a desire to increase one's income and wealth. The financial security discourse rationalizes the pursuit of amassing a large fortune, which depicts the high incomes in this industry as warranted and justifiable.

Achieving this particular type of financial security not only requires risk tolerance but also access to resources in a patrimonial system, which is organized according to trust-based networks that are shaped by gender and race. The hedge fund managers I interviewed experienced at least one of three conditions necessary for launching their own funds: having personal ties to wealthy investors, having a manager at a previous employer who provides the training and funding, and having an opportunity arise from financial distress at one's employer. These preconditions reveal an underlying system of patrimonialism that organizes the transfer of wealth in this industry.

During my interviews with recent startup founders like Jamie, I had contradictory responses to their motivations. On the one hand, listening to Jamie speak, I felt his excitement. His eyes widened as he spoke about the possibility of having no financial concerns. Rather than a source of tension, money symbolizes a sense of opportunity and possibility. He spoke earnestly of the risks involved—selling his house, investing his savings, and quitting his job—as a necessary means of creating a better future for his family. He made me consider the risks I took by quitting my own secure job in finance to get a doctorate in Sociology and spoke to my concerns about what the future may hold for me and my family. His optimism, a self-described "glass-half-full" kind of guy, was contagious because it taps into an American myth of meritocracy that working hard, dreaming big, and taking risks will be rewarded.

On the other hand, the dreams of hedge fund managers like Jamie brought to mind the workers who are left behind. In an era when the top one percent drives income inequality, it is perhaps no surprise that an extreme and inaccessible goal motivates those striving to enter this elite circle. This dream of financial security dream appears more difficult to attain than that of the corporate job and house in the suburbs: It is unattainable even for most elites.

Chapter 6: The Ideology of the Flat Organization

Over the past 40 years, the fate of the American firm has been the topic of debate. With the goal of aligning the firm to meet the demands of a global capitalist economy, investors, directors, and executives have largely embraced a shareholder value ideology that defines the firm's primary purpose as increasing share prices, rather than selling a product (Lazonick and O'Sullivan 2000). Subsequent changes to corporate governance as a result of this ideology have removed layers of management and bureaucracy to promote a bare bones corporate structure (Davis 2009). In the late 20th century, the corporation changed from a social institution to a nexus-of-contracts (Davis 2016); today, workers encounter the aftermath of this transformation.

Scholarship on workplace inequality has documented how firm structures create social hierarchies at work (Acker 1990, 2006). Joan Acker (1990:147) identified how gender is embedded within the firm's organizational logic, which is defined as "the underlying assumptions and practices put into policy through contracts, rules, manuals, and evaluations." Organizational logic explicitly refers to the central governing practices of bureaucratic organizations (Britton 1997). Recent research finds that the defining characteristics of organizational logic in bureaucratic firms in the new economy—employment insecurity, external career development, teamwork, and networking—have unique consequences for gender inequality (Williams et al. 2012). However, scholars have yet to determine the full impacts of the shareholder value ideology on workplace inequality at firms that have been stripped of layers of bureaucracy.

This chapter explores the implications of transformations in corporate governance for gender inequality. According to the shareholder value ideology, the ideal is a "flat organization" with layers of management and bureaucracy removed to make the firm more decentralized, horizontal, and flexible (Borgatti and Foster 2003). Using hedge funds as an extreme case, I examine the implications of a so-called "flat" organization for gender and other forms of social inequality. I seek to understand how social inequality is impacted when layers of bureaucracy and management are stripped away: How are gender hierarchies constructed and legitimized in a "flat" organization?

In the sections that follow, I show how a "flat" organization is a discourse rather than a practice in the hedge fund industry. I outline how the organizational logic of so-called "flat" firms contributes to the construction and legitimization of gender hierarchies in five ways. First, gender is embedded in the streamlined "nexus of contracts" that make up the formal structures of the organization. Second, an examination of the standard division of labor demonstrates that gender is a central organizing factor. Third, gender is present in the dominant ideologies governing the expectations for hedge fund managers. Fourth, the norms for evaluating performance foreground the role of markets and profits as a meritocratic force; however, a closer investigation identifies how an environment with few protections for workers allows discrimination to go unchecked. Finally, since "flat" organizations establish an environment where social networks take precedence over the firm, networks of trust and loyalty facilitate professional risk-taking. In this environment, *hedge*monic masculinity provides a safety net by faciltating access to job opportunities and investor capital.

1. Gender and the Nexus of Contracts

The shareholder value movement promoted the restructuring and delayering of firms in the name of maximizing stock dividends. This transformed the firm from a social institution designed to meet the needs of its constituents into a nexus of contracts (Davis

2009). The goal driving this movement was to strip firms down to their most basic elements necessary to perform. By "trimming the fat," firms could in theory eliminate operating costs and become less bogged down by bureaucracy.

Hedge fund managers adhere to the ideology of the "flat organization." Among the people I interviewed, hedge fund managers and employees alike described the organizational culture at their firms as "lean" and "flat," which they defined in contrast to the "pyramid" structures of investment banks. For example, Vincent believed that flattening firms—removing layers of bureaucracy and management—makes them more collaborative and less competitive. Vincent described the culture at the firm he founded as "very flat" and "quick to decisions." As the manager, Vincent recalled how he strived to cultivate an environment where he was accessible to his employees: "You would just walk in the room and ask a question. On very rare occasions, if it was for odd specific reasons, I would overrule it, but that was very rare." Removing mid-level management characterizes a flat organization, which is designed to promote contact between executives and staff. This is consistent with changes in organizations in related fields like technology, where executives strive to foster an environment of open communication (Turco 2016).

The physical organization of hedge funds reflects the goal of eliminating barriers between executives and employees. In small and midsize hedge funds, employees typically work in an open room with executives and support staff sitting alongside one another on trading desks, which refers to a set of desks lined up side-by-side and organized in two rows facing one another. Even when executives have their own offices, they usually reserve the office for small meetings and conference calls, opting instead to sit on the trading desks for the remainder of their work. For this reason, when I conducted interviews in offices, it was usually in conference rooms rather than private offices.

Like Vincent, the other hedge fund managers I spoke with expressed pride in establishing a collaborative workplace and what they called a "hands-off" approach that allows their employees to self manage. This also enables them to avoid hiring personnel who they perceive as extraneous, like midlevel managers and human resources. At the smaller firms, job functions like legal counsel, information technology, and payroll services are outsourced. Refer to Figure 1 for a sample organization chart for a mid-size hedge fund.

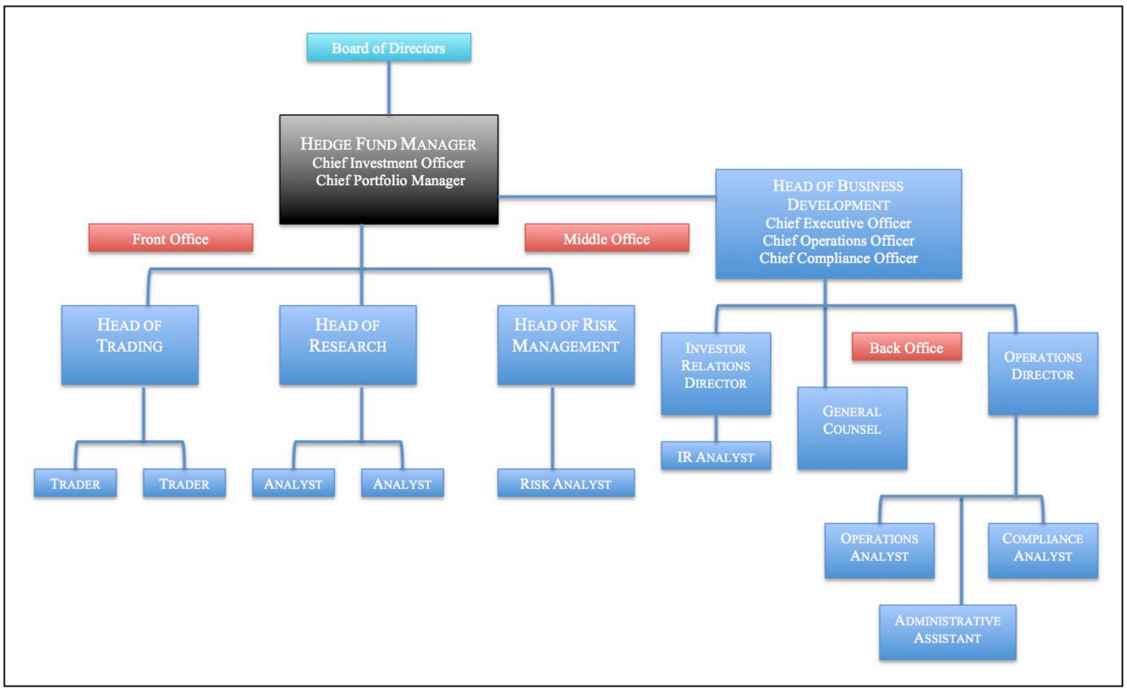

Figure 1: Midsize Hedge Fund "Flat" Organizational Chart.

The formalized policies and contracts at hedge funds are designed to establish a "flat" organization structure. For example, when a hedge fund manager launches a firm, the first step is to hire outside legal counsel to draft agreements for prospective investors. Depending on the type of firm, these include a private placement memorandum, a limited partnership agreement, or operating agreement. These documents establish the legal terms of any investments including the potential benefits and risks for investors. If the hedge fund has more than one executive, an additional agreement will designate the various rights and responsibilities of the partners. At small firms, these contracts may serve as the primary guidelines for all other policies and procedures.

While these streamlined operating guidelines may suggest a flattened organization, the specific policies indicate a clear hierarchy that places the chief executive(s) on top. The legal agreements explicitly state the central role of the chief executive by summarizing the qualifications of high level personnel and providing some transparency into their investment strategy. These people are written into the document by name and referred to as "key personnel," reflecting how their continued employment is central to the firm's stability. The key personnel are largely what the firm promotes in the legal agreements, which is in part why personnel with elite credentials are highly valued, which I examined in Chapter 3. These credentials demonstrate the firm's legitimacy and elicit trust among prospective investors. In effect, the key personnel are the face of the firm and often the deciding factor as to whether an investor will entrust his or her money to the firm.

Specific clauses indicate the importance of key personnel and the firm's ability to retain them, which signal the firm's stability and trustworthiness to prospective investors. For example, a "key man" clause is sometimes included to allow investors to redeem their funds if specific key personnel leave the firm or become incapacitated. The agreements disclose any potential conflicts of interest or other investment activities that may pose concerns to investments. Finally, investors may request information about how much money chief executives have personally invested in the fund to gauge how much of a stake they have in the fund's performance. These provisions reflect a firm structure that is contingent upon one or two top personnel, without whom the firm may fail to operate.

Finally, the legal documents also specify the fee structure that investors can expect to pay. These are composed of two primary fees: the management fee and the performance fee. The management fee is often 1-2 percent of the fund's net assets, which covers basic operating costs like office space, salaries, and equipment. The performance fee, also called the performance allocation, distinguishes hedge funds from other investment firms. The idea behind this fee is that the firm should receive a certain percentage of the investment returns to motivate it to perform well. In a sense, the performance allocation is akin to a bonus for the firm: The industry standard is 20 percent of the fund's performance. Since the fee is charged based on the fund's performance, hedge fund managers pay capital gains taxes, rather than the higher-rate income taxes, which helps to produce the high incomes in this industry.

While interviewees understand these practices as promoting a "flat" organizational structure, in practice, these firms do not have a horizontal structure; instead, the structure concentrates authority among top executives. The formalized policies and procedures of hedge funds demonstrate how a "flat" organization transfers more power and importance to chief executives. This suggests that these organizations are not so much "flat," as the top executives have considerable influence over the firm's day-to-day operations and long-term sustainability. Furthermore, the legal terminology used in these contracts, like the "key man" clause, implies that these organizing agreements are explicitly gendered with the underlying assumption that top executives are men.

The importance of the top executive is evident in my interview with Diane, a white woman in her 50s. When I asked her what characterizes the organizational culture of her firm, she introduced the term "organized chaos" to describe how her team brainstorms and executes investment ideas. Diane said:

> What would be a good phrase to describe it? It's entrepreneurial chaos. And it's encouraged. It's encouraged because it's not cookie cutter. I think one of the reasons why we've been successful for so long is that we think outside the box. No idea will be knocked down because it doesn't fit into our box. Our box is thinking about where the opportunities are at and how we monetize them. So I would say "organized chaos." . . . At a lot of places they meet every week and they get together and they talk about ideas and blah, blah, blah. The velocity of ideas that we're seeing is so huge that I would be spending four out of five business days going through every single idea, so we have to be able to go through stuff really, really fast.

Diane preferred an environment of "organized chaos," because she understood it as allowing for more room for creativity. She avoided a formulaic, standardized process, which she views as both time consuming and constrictive.

What Diane said next, however, demonstrates the central role of the hedge fund manager as the key decision-maker amid the chaos. Diane described herself as "hands off," caught herself, and then qualified:

> I'm hands off but I'm not hands off. So the research process, I'm very hands off. I'm the one who comes up with the big picture, sometimes crazy idea, and then I want the team to go out and create the models that either support or refute my idea. But when it comes to the actual direction I want the portfolio to go, I've already decided how that is going to occur, but I want them to do the analysis to support my thesis on something. I'm very hands off in terms of here's the

> research project, do it. Or, here's the research project, they come back to me and say, "No, this is a bad idea, we should do it this way." Have at it. Run with it.

Diane was the final authority on the firm's investments. Although she wanted thorough and critical research to challenge or confirm her ideas, Diane knew *a priori* the direction she wants to take the investments, and she suggests that the research is primarily used to support her investment thesis. As Diane said, "I never make an investment, an allocation decision, without having them [the team] involved in the process, but I know where I want to go in the allocation process."

Diane's culture of "organized chaos" captures the dynamics of a firm with few formalized policies and procedures. The operating agreement establishes an environment that allows for this "organized chaos" and reinforces the authority of key personnel. While hedge fund managers like Vincent and Diane perceived their approaches as conducive to establishing a flat organizational structure that encourages creativity and innovation, which it may in fact do, it was clear that in practice the organizational structure is not flat. Instead, it appears to reinforce the concentration of decision-making power and authority into the hands of chief executives.

Figure 2 demonstrates the difference between a flat organization and a traditional organization. Although smaller hedge funds resemble the flat organization with one layer of executives and one layer of staff, the typical mid-size hedge fund organization chart shown in Figure 1 more closely resembles a traditional organization. The hedge funds I studied featured varying layers of hierarchy, yet managers defined their firms as flat relative to large investment firms with layers of management and bureaucracy.

Constructing organization charts for these hedge funds demonstrates how "flat" is a discourse rather than a practice. This discourse features two different concepts of what constitute a "flat" firm. In the first, the "flat" discourse refers to an organizational structure that is horizontal and free of hierarchy. In the second, it captures a collectivist or egalitarian ideology that promotes participation, open communication, and questioning authority.

For comparison, Figure 3 shows an ideal type for a horizontal organization, a collectivist organization, in which workers collectivity make decisions and share authority in a general assembly (Rothschild-Whitt 1979). This model aims to eliminate social hierarchies within a work organization. By giving each worker a vote in decisions made at the organization, like hiring and firing, collectivist organization strive to remove certain forms of gender and racial discrimination at work (Sobering 2016; Sobering, Thomas, and Williams 2014).

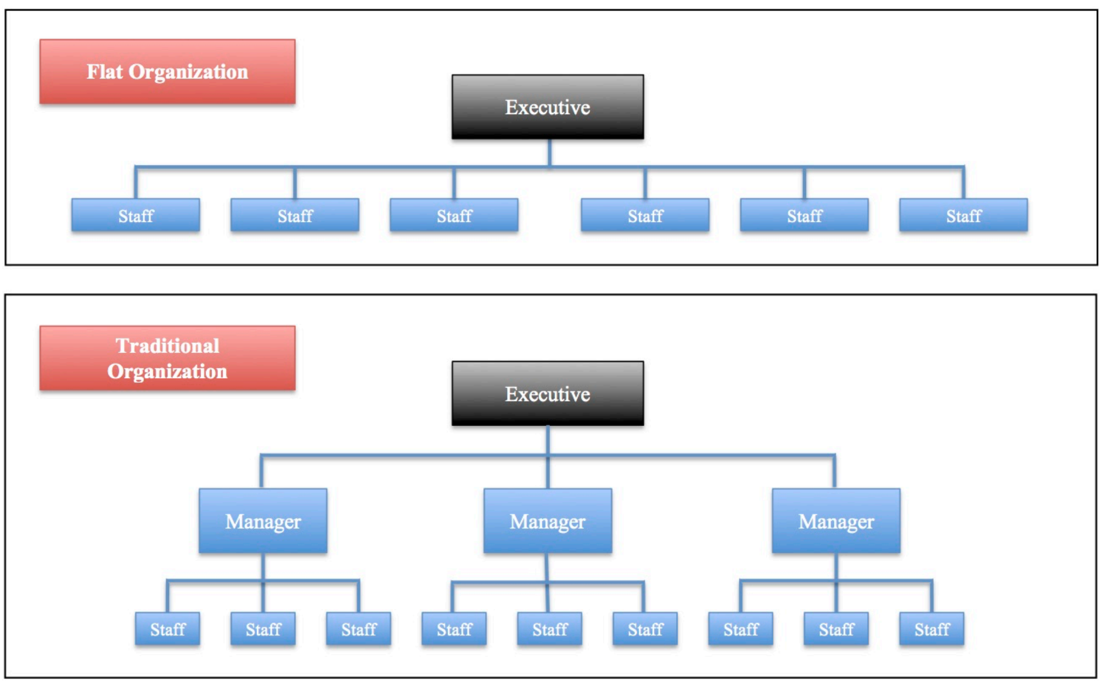

Figure 2: Traditional and Flat Organizations.

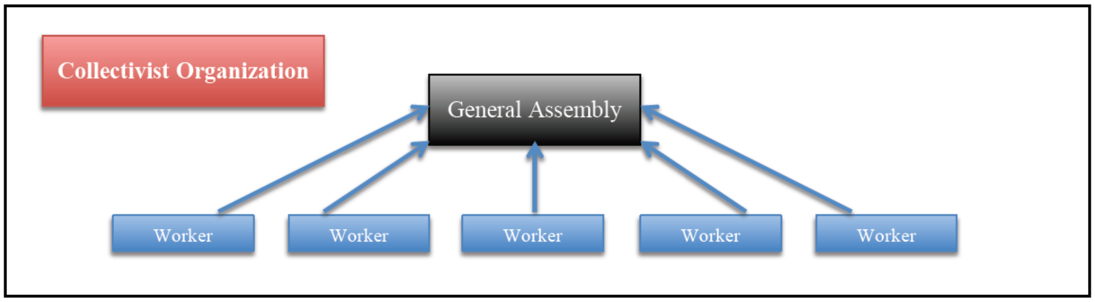

Figure 3: Collectivist Organization.

Hedge fund managers separate themselves from the constraints and control of institutions, whether it is the regulators or the investment banks. The institutional context in which they do this is gendered in that it reaffirms the authority of the hedge fund manager, who is identified as the "key man." Within this context, *hedge*monic masculinity justifies the creation of these boundaries—akin to hedges—to assert the "key man's" autonomy, authority, and value as the top executive(s) at their firm. Within these boundaries, hedge funds establish their own norms for managing money, employees, and firms, which is reflected in the gendered division of labor.

2. Gender and the Division of Labor

The global stock exchange organizes the division of labor at hedge funds. Although each team member has discrete job responsibilities and tasks, the workplace as a whole is organized according to activity in the market. For example, Scott, a white man in his 40s and the chief executive officer at a hedge fund, described the all-encompassing force that global markets played in his life:

> You really never have control when you are dealing with markets. Markets are going to do what they are going to do. If there's a market crisis, and suddenly we have to go into a mode where we are reaching out to every investor to talk to them

> about how we are handling it or something, that's going to happen at a moment's notice, so in the bigger sense you're not going to have control . . . We're out of the West Coast. We always see the sunrise when we start working because our trading day starts three hours earlier than New York's. It actually never really ends anymore because we trade globally and there's always a market on somewhere other than a slim slice of time on Saturdays.

Scott described his life as bound to the market. At a moment's notice, his firm may shift investment strategy or investors may bombard him with calls requesting an update on how a market downturn or upturn will impact their investments.

Hedge fund managers clearly identify how the demands of the market delineate responsibilities in the workplace. Scott described the organization of work among his partners, outlining how his role as chief executive officer[11] differs from this other partners:

> I keep my finger on the pulse of the business, more importantly than anything. I'm checking the vital signs of the business. I oversee all aspects of what we do that don't involve investment decisions. So I have two partners: One's the Chief Research Officer who's in charge of designing and enhancing our investment programs and then I have another partner who is our Chief Investment Officer. He implements our investment programs. I oversee everything else.

According to Scott, his role as CEO allows him a certain degree of control over his schedule and responsibilities: "On a day-to-day basis, yeah, ultimately I'm the boss, so if people need to meet with me, I can just tell them when they're going to meet with me and if there's some trip on the horizon, I can schedule it."

[11] In Scott's case, the role of chief executive officer refers to the head of business development and operations. However, this terminology is not consistent across firms in the industry. In other firms, the CEO may also serve as the chief investment officer, who oversees all investment decisions.

However, Scott qualified this degree of autonomy as contingent on the demands of the market. He said, "But the joke about entrepreneurs is the great thing about entrepreneurship is that you get to pick those 120 hours a week that you work. And that's pretty much my life. I work very hard. We're always going, but I do have some say in when I do what I do." As a hedge fund entrepreneur, Scott had to be prepared to work whenever global markets trade, because a sudden shift in the market may lead to questions from his investors.

The hedge fund managers described their firms as partnerships in which the founding partners have equal standing at the onset of the firm and then later hire on support staff as needed. For example, when I asked Farrah, a white woman in her 40s, about the division of labor at her former firm, she responded, "We were equal partners," referring to the founding legal arrangement of the firm. Farrah explained how there was a clear separation of responsibilities:

> We got along really well and everybody knew what they liked to do. So there wasn't really, you know [a hierarchy]. We kind of leaned on one partner who sort of took on a lot of the running of the business. I did everything that was client related and he did everything that was more related to the business and the other two guys were happy to let him do that. It was really, really nice.

While each person held the legal title of partner—implying a horizontal organization structure akin to the collectivist workplace model described above—the four partners did not have equal standing in terms of earnings or decision-making at the firm. For example, one partner led the business operations of the firm and another assumed the position of lead portfolio manager, i.e., key investment decision-maker. Although the operating agreement specified an equal partnership, the firm was run according to the investment philosophy of this portfolio manager. He had been successful at their previous firm and had assembled a loyal following of investors.

After five years of strong performance, Farrah's firm had a year of negative investment returns, prompting Farrah and her three male partners to shut down the firm and return their investors' money. This led Farrah to embark on a series of short tenures at struggling firms, which I discuss in the concluding chapter. Her colleagues on the investment management side of the business, however, had earned enough to manage their own money, which upholds the ideal for achieving financial security. Farrah recounted, "A couple of my partners still basically just work for themselves running their own money." As an investor relations professional, a job function dominated by women, Farrah did not think that this option was available to her because she had no investment management experience.

Albert currently manages a startup hedge fund with one other founding partner, several other high-level personnel, and a handful of support staff. While the firm is still getting off the ground, Albert and his partner pay their employees equally. The two partners earn less than their employees since the partners own equity in the hedge fund. On that decision, he recounted:

> We basically decided to pay everyone the same. If we then made money, sort of real money, then you get to have a high quality [large cash flows] problem. I've yet to face that high quality problem. In terms of my partner and I getting to be paid less, hopefully that's just a period of transition we're in. But you know, we could give away a lot of the equity and I think that we will give away, our plan is to give away some of the equity in this next year, but as long as we're sitting on the equity then the budget gets tighter. If we were right now sitting on most if not

> all of the upside, we have to be able to support everyone else when times were a little bit leaner. But otherwise, we paid everyone the same.

Since Albert and his partner hold most of the equity in the fund, they pay their employees higher incomes; however, he plans to eventually distribute that equity to employees, a technique for retaining them and rewarding their commitment to the firm. By "high-quality" problem, Albert refers to the dilemma of determining how to distribute earnings among employees when the firm starts to generate large amounts of profit.

As Albert explained this to me, he caught himself and acknowledged an exception to the practice of equal pay: Two people received higher salaries to help accommodate expenses associated with having a family. According to Albert:

> We made some modest changes frankly only for two people and that was because they had families and personal situations and came to us and said, "Listen, I've got, this is going on, these are the realities." And it was to the tune of a couple of tens of thousands of dollars a year rather than anything over and above that . . . We've only done it twice and both of them were associated with, let's call it, as opposed to an individual, it was associated with raising a family in New York.

Later, when I ask about the gender composition of the firm, I learn that the firm only employs one woman who is not a parent. In this instance, fathers receive additional incomes to help them uphold the expectations for supporting a family, which provides a clue to why men, particularly fathers, may out-earn women. Other interviewees confirmed that this breadwinner advantage happens at their firms as well.

Although hedge fund managers described the "flat" organizational structure and division of labor in gender-neutral terms, Deborah explained how colleagues refer to her hedge fund as the "chick fund," because the proportion of women at her firm is uncharacteristic of the industry as a whole. Reports estimate that the industry is only comprised of 5 to 7 percent women, yet Deborah reports that 12 of her 20 employees are women. Similarly, Diane described employing a greater proportion of women, including her chief financial officer. Deborah and Diane proved to be exceptions to the rule among my sample, as most women tend to work in investor relations and interviewees largely describe firm compositions as overwhelmingly male-dominated. Since I oversample for women hedge fund managers like Deborah and Diane, I understand their firms as extreme cases that demonstrate the male domination of the rest of the industry. Having a higher proportion of women—even at 60 percent—was such an anomaly that it earned a nickname, the "chick fund," which highlights the gendered division of labor and male domination in this industry.

3. Gender Ideology

In stark contrast to the motivations expressed by startup hedge fund managers who want to control their schedules, have flexible hours, and achieve financial security, established hedge fund managers recounted how their lives have become fully tethered to running their businesses. Previous research documents the around-the-clock schedule of entrepreneurs and the gender biases of investors (Thébaud 2015), yet it omits how these working arrangements are organized by an ideology of masculinity. The ideology of *hedge*monic masculinity justifies a social organization of the hedge fund industry that requires hedge fund managers dedicate their energy and time to their firms. The ideals associated with *hedge*monic masculinity confer status and respect to managers who demonstrate independence, dedication, fortitude, and mastery.

The meanings that hedge fund managers associate with success and failure in the industry reveal how masculinity is enacted and upheld in a "flat" organization. For example, Vincent explained career advancement through an analogy with sports and violence. He said, "This is a contact sport. You can't get through 10 years in this business without having someone try to kill you or having to self-defend and kill somebody else career-wise. It's a negative." Vincent attributed his own success to being smarter than his competition, having audacity, being fearless, and taking risks, all expectations for *hedge*monic masculinity in this context.

In other interviews, ideas about masculinities and femininities became clear when interviewees criticized industry norms or the behavior of their colleagues. For example, hedge fund managers often described themselves in contrast to other managers, who they perceived as risk-takers, aggressors, bad apples, or egomaniacs. These comparisons served to distance themselves from the negative stereotypes and media portrayals of the industry. By setting boundaries between themselves and these stereotypes, interviewees shed light into how masculinity operates in this context. The comparison separates them from a particular kind of demonized masculinity—one that brings financial crises and crashes—and serves to redefine what masculinity means to them: independence, hard work, strength, and mastery.

	***Hedge*monic Masculinity**	**Marginalized Masculinity**	**Marginalized Femininity**
Contribution	Deep Value	Quick Returns	Due Diligence
Approach	Mastery	Imprudent/Negligent	Prudent
Personality	Individualist	Egomaniac/Addictive	Exacting
Value	Independence	Notoriety	Performance

Table 4: Discourses of *Hedge*monic Masculinity, and Marginalized Masculinity and Femininity.

For example, Brian, a white hedge fund manager in his 50s, expressed frustration with "incompetence and negligence" in the industry. "Why do they still have their jobs?" he said in reference to the low returns and poor performance during the crisis. Brian said that investors "fund who they like, who treats them well." Investors tend to overlook poor performance, Brian thought, when the hedge fund manager is a friend or family member. Brian critiqued the centrality of the "old boy network" in shaping access to funding and to getting a job: "If you know someone, you get a job. There's no more meritocracy." He also claimed that "illegality" is still present. For example, "front running still goes on, which is when you tell someone that someone is going to dump a bunch of stocks so they can short them." According to hedge fund managers like Brian, these practices give the industry a bad name and lead to negative media portrayals.

Similarly, Albert described a moment at a group retreat when he realized that he needed to re-evaluate his priorities in life. Albert recounted:

> What became very apparent and an eye-opener for me is that nearly every single one of the senior managers had a dysfunctional family life, dysfunctional marriages, high percentages of divorce, and unfortunately I have to hold my hand up high in the air because I went through a divorce earlier in my career. For me, going to that, it was too late because in fact when I went to that I was already mid-divorce.

Albert's description of the dysfunctional personal lives of his colleagues demonstrates both the ideal for upholding masculinity as well as the negatives outcomes associated with achieving that ideal. According to Albert, the dysfunctional marriages and family lives were the product of the expectations for long hours and complete dedication. He added, "And I would say that an incredible percentage of people in this industry have some sort of let's call it vice, whether it's substance abuse, alcoholism, pain-killers, they chase something or need a distraction or a stimulant of some other kind." The need for stimulus—also expressed in addiction or other "vice"—characterizes the archetype of a wired hedge fund manager, who is fixated on, perhaps even addicted to, the stock market.

Albert differentiated himself from the marginalized masculinity, explaining how he learned to demarcate the end of his workday and the transition to his family life with a daily martial arts practice. He said:

> In fairness, what I have done, and I'm not sure it's a good thing—my wife would probably say it's a bad thing—is that I've sort of thrown myself at martial arts. That's where I'm leaving at 4:30. I'm now a third degree black belt and I will be absolutely gutted, humiliated, and check my ego at the door by my master who I have some one-on-one time with, but it's a good way to cleanse myself mentally and emotionally and then keep everything at check, and hopefully have a rich and untainted family life as well . . . It's a good demarcation of end of my professional day and then family time.

To be able to leave his "ego at the door," Albert attended a daily session with his "master," who dominated him and put him in his place through sport. Albert thought that this ritual of masculine domination allowed him to transition from the role of hedge fund manager to that of husband and father.

The ego was a recurring reference in my interviews. Whereas Albert had his ego beaten out of him in sport, Vincent supposedly lost his as he aged, which he described as occurring alongside achieving status and money. Over the course of my interviews, it became clear that the discourse of the ego referred to something other than an inflated self-confidence. The notion of ego captured a negative alternative to *hedge*monic masculinity: being driven entirely by greed and status.

Diane described how "the ego is in the performance, not in the process itself," when referring to how she strives to maintain a flat organizational culture. When I asked for clarification on what she meant, she elaborated:

> I see the egos a lot when I interact with the hedge fund guys. Where people want to be public. They want to be in the press. They want everybody to know that they have bought a really expensive apartment. It's the need for greed, if you will. Whereas our motto—and we've made a lot of money, we have billions and billions of dollars under management. We probably have one of the best private equity track records, and hands down one of the best hedge fund track records as well. And, again, the process has just been so flat. When I started managing this portfolio 20 years ago it was just me. Over time, I've added some people but neither my partner nor I have a desire to manage a lot of people. I think we have a desire to run a lot of capital, but not build some monstrosity of an organization. And I don't think you have to. So that alone makes us a lot less ego-driven than most folks because the reward is in our numbers. And doing a good job, which we've done but not in building some big organization with hundreds of people.

The "egos" Diane identified are attention seeking, greedy, and status-oriented.

Professional status in Diane's account is synonymous with organization size, measured in terms of assets under management. She critiqued the practice of building a firm with many employees, which she understood as not necessary for production and only desired as a marker of status. Instead, she took pride in managing a sizeable amount of money with a small number of personnel relative to other firms. This is a recurring point of pride and self-efficacy expressed among the hedge fund managers I spoke with: The feat of managing a large amount of assets with the fewest people as possible.

In addition to the discourse of the ego-driven men, generalizations about women demonstrate beliefs in gender essentialism, as well as serve to designate what "to do" and "not to do" to uphold the ideals for masculinity in this context. While interviewees acknowledged the barriers woman face in the industry, they tended to cite the low numbers of women hedge funds managers as evidence of how women are poorly suited for the industry or lack the attributes necessary to comply with industry expectations. Their accounts cast femininity—assumptions of what women do—in the workplace as examples of how not to succeed. In a sense, interviewees fixated on the dependent variable—examples of women who did *not* advance—and then used it as proof of why women fail or opt out. I do not reference their accounts to identify why there are so few women managing hedge funds; instead, I analyze them to provide insight into ideals for *hedge*monic masculinity, since it is defined in opposition to femininity and other forms of masculinity.

For example, several hedge fund managers I interviewed believe that women's aversion to risk hampered their long-term success as investors. For example, Justin, a white man in his 40s, emphasized how it was "women who did less poorly" as investment managers during the financial crisis of 2008 because "men take more risk." While this may have enabled women to outperform the stock market during the crisis, Justin wondered if it led to lower profits during market upturns.

Similarly, Diane believed that men's and women's different approaches to risk disadvantages women in their careers in investment management. She provided an allegory of a car race:

> This is how I view women versus men in the world of investing, and how good women are at risk management. So there's a man and a woman, they each have a Lamborghini, and they get into their car. They both drive off in their car.

> Suddenly, there's a sign that says, "Dangerous Turn, Slow Down." And the woman goes, "Oh, dangerous turn, I'm going to slow down." And she slows down. The man keeps going. He drives over a cliff. She never picks up speed. He gets a new car. He comes back onto the road. That was the only curve and he drives really fast to the finish line and ends up getting there before she does. She saw the risk. She made the appropriate changes in her vehicle to not drive off the road. He drives one speed, which is fast. The problem is she prevented a car crash. That's the good news. The bad news is that she never got out of second gear.

To Diane, this allegory captures why women lose out in the investment world for not taking on more risk, even though they are believed to be better at anticipating and preparing for risk. Diane told me that she was unsure whether these "differences" were the product of socialization or biology. Her allegory also reveals an underlying assumption that if an investment fails, there is always more money to "buy a new car," a symptom of the cultural beliefs about money and risk in the industry. In other words, when a professional risk fails, it does not ruin a man's career. However, if we continue with a more literal interpretation of Diane's analogy, the man would die when he drives off a cliff, which corresponds to the negative effects of extreme risk-taking on one's reputation in this industry.

I found no evidence to support Diane's claim that women take fewer risks than men. While Diane described herself as "guilty" of being too risk-averse, she and the other hedge fund managers I interviewed—men and women alike—explained how they learned to evaluate and take calculated risks in similar terms, often citing the first time they experienced a major downturn in the market or a bad trade. For example, at one women's networking event I attended, the women swapped stories of the first time they lost over a million dollars on a single trade. One trader recounted how she was certain she would be fired after losing five million dollars; however, when she reported the news to her manager at the end of the day, he congratulated her on achieving this rite of passage in the industry. While the hedge fund managers generally described themselves as cautious about risk, the occasional heavy loss was understood as part of learning how to trade and manage investments.

Diane told the car race allegory immediately after she recounted a time when she received pushback from her partners when she wanted to invest in a hedge fund run by a woman who is often perceived as too aggressive in terms of taking on risk in the stock market. Diane said:

> I wanted to give money to this woman who runs an event portfolio. She's really super aggressive and I think that kind of scared them a little bit. She's got great numbers but she's aggressive like when you meet her personality-wise and I think it freaked them out a little bit. And I had money with her in my previous position, so they are like, "But the drawdowns," and I was like, "Look at her track record. Every time she has a drawdown, you want to put money in." And so mathematically the numbers ultimately bear out but it was a little bit scary probably for the first investment for me to recommend. Now, we don't have those conversations obviously and I own half the firm.

Diane described how her male partners perceived this woman as too aggressive both in terms of her personality ("it freaked them out") and her investments. Furthermore, by following up this anecdote with the allegory of the car race, Diane contradicted her ideas about women being more risk-averse. Instead, Diane's account of this women's perceived risk provides insight into how women may be read as too aggressive when they follow the norms for risk-taking in this industry. This women's case demonstrates how women comply with the ideals for *hedge*monic masculinity but are held to different standards than men.

In her ethnography of Wall Street, Karen Ho (2009) examines the formation of a Wall Street habitus, which refers to a collection of bodily dispositions and practices that constructs the worldview of investment bankers in a way that rationalizes restructuring and their role in creating it as making markets more efficient. Yet, an analysis of masculinity is missing from Ho's account of the Wall Street habitus. I argue that the Wall Street habitus is gendered. It reflects beliefs and practices that reaffirm masculinity, such as gendered discourses about risk-taking. In the next section, I examine how the dominant gendered ideology of the industry impacts how employers perceive their employee's performance and value to the firm.

4. Gender and Performance Evaluation

Hedge fund managers evaluate their employees based on numeric metrics according to the firm's bottom line (refer to Chapter 4 for further discussion). According to this neoliberal logic, quantitative metrics imply that success is purely meritocratic, because the market is understood as unbiased.

This market logic guides management practices of hedge fund managers. For example, Diane described the flat structure as allowing for performance to determine success, rather than other markers of status. Of her firm, Diane said:

> It's really flat. It's really flat. I measure our success by our performance. It's not measured by the size of somebody's office or where they went to school or something like that. It's very, very flat . . . There's no big egos. The ego is in the performance, not in the process itself. And it's flat.

In a flat organization, according to Diane, individual success is contingent on team performance, rather than the individual's status and authority. Thus, the team is evaluated as a whole with the assumption that if one person's performance falters, the entire team will underperform in terms of investment returns. However, evaluating employees based on teamwork has been demonstrated to disadvantage women in male-dominated teams because women's contributions tend to receive less recognition (Williams et al. 2012).

One investor relations professional, Amanda, who is a white woman in her mid-30s, explained how her firm has a flat organizational structure with no formal promotional procedures or titles, because the hedge fund manager believes that eliminating standardized processes will promote meritocracy. Amanda explained:

> We don't have titles, so no promotions. The only way you feel like you are getting promoted is through comp [compensation] . . . It's supposed to promote a meritocracy, but I think sometimes people need those milestones to feel like they are progressing in their career.

As Amanda recounted, in the absence of formal policies for promotion, compensation becomes the exclusive source through which employees receive feedback about their performance. She explained how her managers provide little supervision, so compensation is the only way for evaluating her performance and she receives little insight into how it is calculated.

While hedge fund managers discouraged employees from discussing their compensation packages, colleagues do share information within and across firms. I came across several cases in which an employee discovered that they were underpaid relative to their colleagues. At one women's networking event, the women shared their experiences with negotiating raises. One wrote a lengthy report demonstrating her value to the firm, while another did so after her manager gave her an unsolicited raise because she felt the need to command descriptive recognition for her achievements rather than merely an increase in compensation. A woman trader in her early 20s recounted how the first time her supervisor asked her into his office to discuss her annual bonus, she silently and abruptly walked out of his office when he showed her the number. She explained how she has no benchmark for her earnings because her colleagues—all men—never share information about their compensation packages. Even though she did not know how much money to expect, she recounted how she anticipated that her supervisor would underestimate her value since she is a younger woman. After exiting her supervisor's office, he approached her with a substantially higher number and now broaches compensation with her in a much different manner than when she first started. Without formal policies for compensation and promotion, advancement is an ad hoc process.

At times, the lack of formal procedures creates tensions between managers and employees. For example, Amanda described a time when she and her supervisor jockeyed for an account because their responsibilities were not clearly differentiated. In the end, the supervisor deleted her name from the meeting notes and took sole credit for recruiting the investor. Amanda thought that as a supervisor, he should not have been in competition with his supervisees and should have instead acknowledged her accomplishment, because it bolsters his own achievements as a supervisor. In Amanda's case, the emphasis on quantitative metrics for determining compensation results in competition between supervisor and supervisee.

Quantitative metrics—a proxy for merit—inform beliefs about workplace diversity: Several interviewees expressed the belief that quantitative metrics for advancement eliminate gender and racial discrimination in the workplace. One investment professional, Fernando, a Hispanic American man in his 30s, described how this metric of success eliminates discrimination on the basis of ethnicity:

> What I have found is that ethnicity is a non-factor. Ethnicity—people don't care. And it's because these funds are very PNL [profit and loss] oriented. They are there to make money. And they make money not by people's looks; they don't make money by how people talk, by people's accents, or where people are from. They don't make money usually by whether a person has a great social network. Hedge funds make money when the analysts, the portfolio managers, and the traders make good judgments on the investments. I usually see all types of ethnicities. I don't think that they're trying to abide by the Department of Labor laws. I really think it's a function of meritocracy. If you're from India, from Asia, if you're black or white, it really doesn't matter, as long as that person can produce. Usually there is a meritocracy to it: It doesn't matter as long as people can produce.

Fernando stressed how the financial returns make an objective measure of success that removes other forms of discrimination from preventing people from exceling in the industry. He believed that the balance sheet purely reflects individual achievement and, thus, allows for meritocracy.

Quantification becomes a proxy for meritocracy, which obscures how other social factors—like race, gender, and class—influence how performance and value are evaluated in this industry. Several people, however, shared insights that depict an uneven playing field. For example, I first met Sasha, a foreign-born black woman with over a decade of experience in the industry, at a conference and we got together regularly throughout my fieldwork. When I met Sasha for lunch at her firm in November, she described how much she enjoyed her work and her colleagues. The following Easter, she invited me over for dinner with her family and several friends. I learned that she had become fed up with her job because of dynamics with two white women on her team.

Sasha had recently heard that a colleague earned three times her pay, so she requested a raise commensurate with her tenure and credentials. Sasha stressed her value in the labor market: "I should get paid market and market is xyz." Her supervisor refused, emphasizing that Sasha should be grateful for the job. Sasha recounted how the interaction made her feel, "She might as well called me the N-word. That's what it felt like." Although always conscious of her minority status, this interaction was the first time in her career when Sasha felt "put in her place:"

> That was really hurtful and not so much because you're not getting what you want, but because the things she said to me really showed her true colors, her real feelings. I've always been the one [black person], but I've never been so directly spoken to, put into place—like "know your role"—as I was at that moment.

Sasha's attempt to advocate for herself as an employee reveals a fault line in the supposedly merit-based system. Sasha stressed how her supervisor recognized and commended her work until the moment when she demanded equal pay. Although Sasha believed that she clearly demonstrated her contribution to the firm, her supervisor deemed her of lesser value.

After the incident, the "human resources manager" at Sasha's firm contacted her to schedule a meeting to discuss what has transpired between Sasha and her supervisor. When she relayed this to me during our interview, it surprised me because no other interviewees mentioned human resources personnel, even when I included a question about human resources in my preliminary interviews. As far I knew, most small to mid-sized hedge funds do not hire human resources personnel; instead, I learned from interviewees that hedge funds occasionally hire psychologists—the "corporate shrink"—to mediate interpersonal disputes.

I asked Sasha about the human resources manager's role, and she explained that it is actually the top executive at the firm: the chief investment officer also serves as head of human resources. This is a common practice described by hedge fund managers who "wear multiple hats" to avoid hiring additional personnel. Sasha identified the shortcomings of this arrangement and expressed concern about the manager's motivations in approaching her about the incident. Sasha said that she understood their meeting as an attempt to protect the firm in the event of a lawsuit. According to Sasha, the hedge fund manager explicitly asked her if she intended to press charges. Instead of protecting her rights as a worker, he represented the firm's interests. In a flat organization, few protections exist to balance the interests of executives and supervisors when employment disputes arise. Executives also provide limited transparency to workers into decision-making processes like the distribution of earnings and promotions. Over the following months, tensions at the firm escalated until Sasha quit her job.

In a competitive, reputation-based industry, Sasha identified few options to seek recourse for discrimination. Interviewees described reporting discrimination to a human resources representative—usually an investment executive—as futile and, at times, even made interactions worse. Filing a formal discrimination lawsuit was a "career-ender," according to one woman I talked to. Several people stressed that no firm would hire someone with this on his or her reputation or background check. Instead, interviewees reported that they resolved the problem amongst themselves or sought employment elsewhere, identifying the labor market as the proper mechanism for addressing racial or gender discrimination. One time at a networking event, a woman admitted to me in secrecy that she pressed charges and settled out of court with a former employer who laid off all of the women on the investment team. After the woman was laid off, she pressed charges but she could not share any details with me due to the terms of the settlement she reached with her previous employer. Her lawsuit was the only reference to a person pressing charges for discrimination that I came across throughout my fieldwork and interviews.

Matthew, a senior trader who is black, identified how racism led to his last departure from working at the hedge fund division at a large investment bank. He described several instances of racism at work such as times when colleagues perceived him as threatening or arrogant. When I asked if he intended to file a complaint with human resources, he responded:

> Never on the complaint side, because these HR [Human Resources] departments are designed to actually support management full stop, so who am I going to complain to? Right? If anything, that gives you a straight ticket to be managed out, which is fine. Then give me a package, and at the end of the day, I was able to get a [severance] package from them. But no, my mentality, and it's really, this is what I think is very important for this conversation on a broader standpoint. My mentality is always that I am responsible for my own career. Now there is something very powerful about that if you take that on. If you are responsible for your own career, and you are not happy, whose fault is that? [He waits for me to answer, "your own."] If you're not getting paid what you think you should be getting paid, whose fault is that? [Your own] If you're not being recognized, if you're not getting the leadership opportunity, all those things.

Matthew deemed it unrealistic to expect others to acknowledge and address their own racism. Instead, he preferred to take his talent elsewhere, stressing the "commercial" case for diversity: Firms that discriminate lose valuable talent, he reasoned. This reflects a neoliberal ideology of individual responsibility that posits the labor market as the appropriate recourse for firms with discriminatory practices. However, the low numbers of women and men of color in this industry, especially in leadership positions, suggests that the labor market does not effectively deter discrimination. Although research has found strong performance among women and minority-led firms, these firms account for only 3.3 percent of the industry (Barclays 2011; Rothstein Kass 2013).

Instead of seeking institutional recourse for discrimination, Matthew assumed responsibility for dealing with racism in the workplace. He identified the solution to interpersonal and institutional racism in the labor market, giving it neoliberal logics akin to beliefs about investing in the stock market:

> If you're not being recognized. All those things. If you're not getting the leadership opportunity. *All* those things. Because if you accept that responsibility, then you will stop waiting for someone to hand you something, because I think that this whole, the improvement on the situation is not going to be somebody waking up one day and being like, "Holy shit, I have perception bias." It's going to be people gravitating to places where they can be seen for who they really are and those places would benefit from the type of talent that they attract . . . I'm willing to make the commercial argument that if I'm drawing from a broader talent pool because I'm able to see people for who they are, I'm going to win. There's no doubt about it. I'm going to win.

According to this logic, the market will match employers and employees based on fit, and discriminatory managers will lose out on talented employees. Matthew's account suggests that neoliberal discourses about the efficiency of stock markets pervade ideas about labor markets as well, supported by the fact that references to the government or any institutional recourse are notably absent.

Since hedge funds aim to run lean and have flat organizational structures, managers have considerable discretion over the kind of guidance and support provided to their employees. This power imbalance is framed, by interviewees, as an issue of workload and time management: Hedge fund managers must "wear multiple hats," which leaves little time to manage and evaluate personnel. However, this is often the product of the hedge fund managers' decision not to hire other higher-level personnel, who could devote more time and energy to managing personnel. Thus, employees assume responsibility for self-management in the absence of formal oversight, policies, and procedures. The "flat" structures and quantitative performance evaluations are believed to promote meritocracy, yet interviewees like Amanda, Sasha, and Matthew described struggling without constructive feedback for improvement or avenues to seek recourse. These supervisory practices often leave those who are discriminated against to perceive the labor market as the only viable option for advancement.

In addition to the detrimental effects of the (lack of) policies on the careers of workers like Matthew, Sasha, and Amanda, this also suggests an unchecked and hierarchical environment where hedge fund managers are not held accountable for their actions. Hedge fund managers wield considerable power relative to their employees, which places the burden on employees to cater to the manager's demands and may remove the manager's sense of accountability to their employees. I argue that these practices are part of larger workplace culture that enables hedge fund managers to demand high fees from investors. In the following section, I outline how this cultural context is tied to ideals for masculinity.

5. Gender and Networks

Brain demonstrates how an "old boy network" can provide a lifeline during professional transitions. Brain started his career in finance in the early 1990s at a large investment firm, where he "started with stock picking"—an introductory job where an analyst learns how to evaluate stocks. Brian only worked there for a few years before launching his own hedge fund in the late 90s. Despite having an MBA from an Ivy League university, Brian described himself as landing in the Northeast with no networks. Remembering back to when he founded his hedge fund, Brian said, "I didn't have the contacts in finance. I didn't know anybody."

Brain's perceived lack of contacts did not prevent him from recruiting investors for his hedge fund: He raised $2 million in seed investments from his personal and professional networks. This included funding from a former girlfriend's father. He had, he said, "actually a lot of connections through my exes," explicitly referencing finding multiple investors through ex-girlfriends. Brian also received seed funding from his previous boss at the investment firm, from his family and religious networks in the South, from his contacts from the Ivy League business school, and from a colleague's father and his poker friends, who invested in Brian because he was "trustworthy." Although he did not disclose this information in our interview, I later read in a news article about Brian's hedge fund that his father was a former CEO of a public company for 22 years and had "plenty of friends in the business community" in Brian's hometown. Brian clearly had vast and wealthy networks, even though he perceived them as less high-status than those of his new peers in the northeast.

Brian's initial seed funding grew to $200 million over 10 years. Despite this growth, he never hired any employees and ran the firm all by himself, with the help of outsourcing some of the work. He proudly said, "not one employee." He did not want to achieve the scale and overhead of the large funds and preferred to keep his firm small.

Even though Brian founded a hedge fund with investments from his own personal and professional networks, he distanced himself from the "old boy network" form of masculinity. He defined himself in opposition to it, which is revealing of other forms of masculinity that he upholds and enacts in his work. For example, Brian called himself as a "deep value guy," which is a term often used for activist investors who are also called "contrarians" (Carlisle 2014). He said, "call me contrarian, but I prefer to be called independent minded." Whereas contrarian refers to someone who goes against current practice in picking stocks, independent minded reflects a sense of originality and creativity: One who acts entirely apart from the herd. Brian believed that he had a "unique investment style" that was "more based in psychology than in finance." Brain explained how as a hedge fund manager, "You find your own style. You make mistakes to refine your style. Hedge funds are like snowflakes: No two are alike. It's just about the guy or girl at the top and their brain."

Brain explained how "there is a lot of art to stock investment. It's not a science but an art." He elaborated on this idea in the following excerpt from my field observations following our interview:

> When I asked Brian why he ran his hedge fund by himself, he looked around the small and mostly empty café. Finally, he turned to the painting next to us and pointed to the bottom right corner, which was empty. He turned back to me and asked, "What would usually be there?" "The artist's signature," I replied not knowing where he was going with this. "How do you spell artist?" he asked. I looked at him confused, and then spelled artist aloud: "A-R-T-I-S-T." "You see, there's no 's' following that word," he said. "I don't want my ideas to get squashed. For some great ideas there is no evidence. Artist not artists."

Brian preferred to work alone because he understood investments to be individualistic and creative. This provides a clue to how masculinity organizes this industry. Brain reaffirms an ideology of *hedge*monic masculinity that values individualism and originality, which serves to justify designations of trust and loyalty. Despite Brian's claim that his work is solo and distinct from the "old boy network" that organizes this industry, he relied on his social capital to access investors.

Brian understood his creative, individualistic approach to investing as instilling a sense of trust among his investors. When Brian's hedge fund collapsed amid the 2008 financial crisis, he expressed gratitude to these early investors with whom he had more personal ties. When the crisis hit, Brain recounted, "My early investors stuck with me. I am an artist." Over the years, however, he acquired "more investors who jumped on the bandwagon." According to Brian, it was the more recent investors who "joined the bandwagon" during the years of high profits who withdrew their trust and cashed out in large numbers when he encountered difficulty during the crisis.

After closing his hedge fund, Brian spent five years unemployed. He attributed this to not having social connections on Wall Street. At the height of his success—single-handedly managing a fund that peaked at $200 million in assets under management—Brian felt supported and respected by his peers on Wall Street. However, after closing the door on his hedge fund, he searched for jobs only to determine, "the jobs are all about old boy's networks." Brain felt that he had not sufficiently partaken in the "wining and dining" and "favors" side of the industry. Instead, he identified himself as an independent-minded "contrarian" and worked from his home office outside of the city.

Despite this long period of unemployment, I learned in the news that Brian later launched another hedge fund, after returning to his original investors and their networks. Despite Brian's claim that he lacked wealthy connections, his dedicated network of investors returned to him after the economic recession, demonstrating the contingent nature of elite networks. Brian demonstrates how membership in the "old boy network" is tenuous and relative. He had access to wealthy networks, yet he perceived his networks as having less status and wealth than his peers in the hedge fund industry.

CONCLUSION

This chapter detailed how the organizational logic of "flat" firms legitimizes and constructs gender hierarchies. First, gender is imbued in the terminology used in the foundational "nexus of contracts" that comprise the organization's formal structures. Second, gender emerges as an organizing factor in the division of labor. Third, the dominant ideologies governing the expectations for hedge fund managers are explicitly gendered. Masculinity justifies and legitimizes specific styles of leadership. Fourth, performance evaluations are based on the assumption that the markets are a meritocratic force, yet an environment with few protections for workers allows discrimination to go unchecked. In this context, recourse for discrimination is understood as best left to market forces. In other words, if an employee encounters sexism or racism, it is believed that they should pursue employment elsewhere and the discriminatory firm will suffer from the loss of their labor. I call this market-mediated recourse for employment discrimination.

Finally, these "flat" firms create a context where social networks supersede the firm in terms of providing employment security for workers. Networks of trust and loyalty, rather than the organization, allow hedge fund workers to engage in professional risk-taking, to the extent that they can access networks with social and cultural capital. In particular, *hedge*monic masculinity provides a safety net to fall back on by facilitating access to future job opportunities and investor capital.

Hedge funds provide an extreme case for understanding the consequences of "flat" organizations. For example, my findings indicate that the social organization of this industry helps to explain the concentration of wealth. First, an environment with relatively few consequences for hedge fund managers enables them to demand high fees. Second, previous research identifies how a culture of high risk and high rewards on Wall Street justifies the high incomes (Ho 2009): I find that networks of trust and loyalty contribute to this culture by upholding an ideology of *hedge*monic masculinity that encourages risk-taking.

Chapter 7: Conclusion

Women hold of 57.6 percent of jobs in the U.S. banking industry, yet only account for 35.4 percent of investment bankers and 9.4 percent of managers at private equity, venture capital, and hedge funds (Catalyst 2015). When asked why such low numbers of women advance to high-level positions in finance, the most common reply from the people in my study was that too few women were in the promotion pipeline or that women simply had a lack of interest in careers in finance. Could it be true that women are just not interested in joining the "old boys' club?" My research demonstrates that more than interest or numbers prevent women from entering the financial elite. The low numbers of women and non-white men are a crucial part of understanding the social fabric of an industry that concentrates wealth in the hands of elite white men.

White men dominate the top "1 percent," the group largely responsible for widening income and wealth inequality in the U.S. (Keister 2014). An "old boys' club" characterizes the upper echelons of business and government (Connell 2005; Enloe 2013), yet the inner workings of this club are removed from the public view, making it difficult to identify how and why it persists. In this dissertation, I set out to understand why the "old boys' club" is so durable and how its persistence enables the high incomes and wealth transfer among the "1 percent."

My study of the hedge fund industry has three primary findings. First, I find that patrimonialism characterizes the social organization of the industry. Patrimonial relationships among men, who are predominantly white, facilitate the transfer of training and capital within an investment tradition. Trust and loyalty are at the core of these exchanges. Networks of trust and loyalty flow along racial, ethnic, and religious lines that are predominantly, but not exclusively, white and male. Exceptions include members of racial and ethnicity minority groups who have access to channels of income from abroad. In the case of U.S. hedge funds, patrimonialism is gendered and racialized as the leader is nearly always white and a man. Hiring, grooming, and seeding practices reproduce patrimonialism within the industry. A notable manager may establish a patrimonial lineage of firms guided by his or her investment tradition. The manager receives ongoing financial benefits from grooming and investing in these protégés.

Yet, women can and do become hedge fund managers. Sometime they do so through the grooming processes that characterize patrimonialism. At other times, they find opportunities during crises, such as when firms restructure and during the 2008 financial crisis. Women who do succeed in becoming hedge fund managers may provide insight into how these patrimonial structures may be adapted or upended.

Second, I find a distinct form of masculinity that rationalizes the patrimonial structures and high incomes in this industry. *Hedge*monic masculinity refers to the dominant ideology, discourses, and practices that justify patrimonialism and the authority of the patrimonial leader in this context. Women and men alike uphold the beliefs, norms, and practices. The dominant ideology reflects a set of ideals for entrepreneurial risk-taking, independent thinking, and amassing wealth. The leading discourses in this industry—about cultural fit, personal brands, financial security, and flat organizations—reinforce the ideology of *hedge*monic masculinity.

*Hedge*monic masculinity legitimizes the practice of constructing a firm that is small, anti-bureaucratic, and steeply hierarchical. This allows a hedge fund manager to reign with little scrutiny or consequence for employment practices that privilege his or her interests. In other words, masculinity makes the high proportion of men in leadership positions and their excessive earnings appear natural and normal.

Third, I find that the organizational logic of “flat” firms rationalizes and constructs gender hierarchies. The "flat" organization is a discourse rather than a practice. As a discourse, it obscures the authority of the chief executive and legitimizes a firm structure that reinforces his or her power. The steep hierarchy and power imbalance found in flat organizations allows for the high incomes and tremendous wealth garnered in this industry, as hedge fund managers encounter limited checks and balances at their firms. By examining social inequality in a "flat" organization, I update theories of gender, racial, and class inequality in the workplace, which foreground fixed organizational structures, particularly large bureaucratic firms (Acker 1990, 2006).

This dissertation finds that gender and race, as systems of inequality, allows for the concentration of economic resources among financial elites. While patrimonialism captures how gender and race underpin the social organization of the industry, *hedge*monic masculinity is the dominant ideology that justifies this organization. This ideology naturalizes the gender and racial hierarchies present in this industry. This phenomenon is especially striking in people's accounts of the aftermath of launching a hedge fund.

THE AFTERMATH: WHO "WINS" AND WHO "LOSES"

The aftermath of launching a hedge fund illuminates what is at stake when people take entrepreneurial risks in the hedge fund industry. To demonstrate my three major findings regarding patrimonialism, "flat" organizations, and *hedge*monic masculinity, I examine three examples of hedge fund managers who spoke about the experience of closing a hedge fund. In one case, the manager sold his successful company in order to retire in his 40s. In the other two examples, the hedge fund managers were forced to close their funds after poor performance and investor withdrawals. In both of these cases, the former hedge fund managers struggled, both personally and professionally.

Patrimonialism

The first example demonstrates how the patrimonial structures of the financial services industry facilitate future success after founding a hedge fund. Over the course of his career, Vincent successfully rose to the top of an investment bank, launched his own firm, achieved financial security in his 40s, and returned to work at a large firm on his own terms. His career path serves as the *hedge*monic ideal: Vincent earned enough money to retire, yet returned to work because he felt passionate about it.

When I asked Vincent how he launched his own firm, he reflected, “It was completely opportunistic and I was just young enough to take risk. I mean I had kids but I was not that bright. I wasn’t as fearful as I should have been.” When I asked him to elaborate on what he meant, he said:

> Anytime you leave a cushy job. . . walk away from it and take the risk of starting something entrepreneurial, a lot of people would have said, “Don’t do it.” And a lot of people did. I attributed it to probably not having as much fear as I should have had. And we pulled it off. Knock on wood. I think if we tried that now, we would fail. But at that time, the stars aligned, the market environment was correct, there was plenty of liquidity out there, we were in a 20-year bull market, we were good at what we did, there weren’t that many obstacles and we blew it out. I don’t know if that can be done today. It would be a lot harder to do it today.

Vincent described how he took risk and prevailed, upholding the *hedge*monic ideal for a worker who invests in their future and succeeds. Despite his success, Vincent warned others against following his path and launching a fund, reflecting the odds against a wager that most workers will fail to collect on. Leaving steady employment involved taking on considerable risk, which is something he expressed reservations about pursuing again. Looking back, he stressed that he would be much more hesitant to take on that kind of risk, which he attributed to how his perspective has changed throughout his career and to the current investment environment.

In his early 40s, Vincent sold his firm with $200 billion in assets under management and retired to spend more time with his family. After a couple of years, he returned to work. He explained that decision: "I made a fair amount of money. I was too young, but thought I could possibly do it. And it was fun for six months, but pretty boring after that. I wasn't ready for the blue-haired lady boards. I love all that stuff, but I was just too young." While Vincent anticipated that early retirement would be a time of leisure and status, he found himself volunteering on charity boards (what he calls the "blue-haired lady boards") a sharp contrast to the status afforded to him as a hedge fund manager. These boards were gender-typed feminine and elderly, which was his cue that he needed to reclaim his tie to *hedge*monic masculinity by reestablishing his career.

Vincent found a job through his previous client networks. He identified a need for an experienced generalist at an investment bank with a highly specialized and young staff. He identified the importance of his social capital: "I had made a lot of connections while running a business. I knew lots of constituents in the equation." Vincent recalled his "pitch" to the bank: "So what I sold in was that I can be the adult in the room on any conversation, any subject matter, any part of the business of an investment bank or asset management." By "sold in," Vincent referred to how he identified a need at the firm and pitched the job to management. The job function did not exist until he presented it to the firm. As such, Vincent upheld a new norm for job seekers to actively produce demand for their employment by branding themselves as products (Vallas and Cummins 2015). His previous success as an entrepreneur allowed him to negotiate an upper-level role: "I was able to negotiate a senior relationship manager kind of role within a business. I was the senior statesman."

After making it to the top in his career, Vincent could demand the terms of his new position. He recounted how he "had a couple conditions," which he said, "shows you that I'm a man of conviction." Vincent recalled, "I had no more ego left. I didn't feel the need to rise in the ranks of a bank again. I wanted a job. Money was tertiary. I knew I could make money. I've always made money. I could just come in and be a rainmaker [attract investors]." After earning enough money to retire and rising in the ranks in investment banking, Vincent said he has nothing left to prove, i.e., "no more ego left." Yet setting the terms of his employment empowered Vincent to feel like "a man of conviction." In this context, he used the term conviction—a firmly held belief—to refer to his own self-esteem and bargaining power.

Like other workers with large networks, Vincent described how his social connections provided a safety net during the financial crisis of 2008. Vincent began his new job in January of 2008. By September, the investment bank started to lay people off. Even though Vincent was a new employee and had a high salary, he was not laid off because as he recalled:

> As things deteriorated, me as an individual became more important to them. I could be helpful in a lot of situations they never saw before, especially dealing with investors. I had a Rolodex, so I was able to help with keeping liquidity in the bank for a while, when it should not have been there, from some large institutions.

Vincent explained how his individual social networks—which he called a "Rolodex"—provided the bank with access to capital during a liquidity crisis. "Keeping liquidity in the banks" is a reference to his ability to access and mobilize his networks of lucrative investors, both high-net-worth individuals and contacts at institutions.

Taking the professional risks necessary to launch a fund requires careful financial and professional planning to ensure one has investors and employment to fall back on. The vast networks that Vincent had amassed before and after launching his own hedge fund provided him with a safety net both after he sold his firm and during the financial crisis. Vincent demonstrates how patrimonial structures in this industry extend beyond familial ties. Relationships of exchange built on trust and loyalty underpin the relationships within and among financial institutions.

The "Flat" Organization

A second example demonstrates how a "flat" organization does not start the founders off on an equal footing in their future endeavors. While recent startup founders spoke with excitement about the prospect of financial success, several people grimly described the aftermath of launching a hedge fund that eventually failed. Farrah, a white woman of Middle Eastern descent with over 20 years of experience in the industry, warned, "it is a big mistake for people to leave a big firm and go to any small firm, any small hedge fund, unless they've made so much money that they don't need another job. That's when you should go." According to Farrah, entrepreneurship is not the path to success, but rather the next step after one succeeds in building a large financial and social safety net.

After five years of successfully running a small firm, performance dropped, and Farrah's fund went under. Farrah and her co-founders were equal partners according to their titles, yet their different job functions impacted the options available to each partner after closing down the fund (refer to Chapter 6). While Farrah's colleagues on the investment management side of the business were able to manage their own money, she struggled to find a position at a level comparable to that at her firm. Instead, she settled for a less senior position at another smaller firm. Then the 2008 financial crisis hit, and Farrah had a series of short-term jobs in small, struggling firms.

Farrah recounted: "That's probably the mistake I made. Even though we did well for five years, we didn't make enough that I would never have to work again. And so for me, it's been a struggle, because . . . I went to a small [firm] and then I became unwan [she catches herself] not as marketable." She described how closing the doors on her hedge fund brought on a deep depression, even suicidal thoughts, that returned when subsequent firms imploded.

Farrah lamented how if she had Ivy League credentials or wealthy family ties, she would be more marketable. Instead, Farrah grew up in the South and was the first in her family to graduate from college, a local state school. Without an elite background, Farrah took a 50 percent pay cut to start over in a less senior role at an investment bank. When I asked if she would found a hedge fund again, she responded, "No. Would I go to a startup? Never."

Without an elite background or sufficient money and training to manage her own investments, Farrah did not have the same success as her former hedge fund partners. Instead, she scrambled to find a position of equal standing to her previous role as a hedge fund partner and co-founder. Small, "flat" organizations offer limited options for people at the top of the organizational hierarchy. Farrah's case demonstrates how although a hedge fund founder may "wear multiple hats," the position may not prepare them for future employment because they advance too far up the hierarchy to easily find another position. This is especially true for those who do not manage investments, which tend to be more male-dominant positions.

***Hedge*monic Masculinity**

A third example demonstrates what is at stake even for elite men in taking the risks associated with striving to achieve the ideals for *hedge*monic masculinity. Cynthia, who founded a hedge fund with her friend Bert, also recalled the painful aftermath of closing it down. Over several years, Cynthia and Bert raised over $100 million, yet they needed $500 million to have a "critical mass" to support their investment strategy. She reflected on how this was during the Dot-Com Bubble of the 90s: If her firm had survived the crash in 2001, she thought, they would have outperformed the market. However, they had to return investor funds before their long-term investment strategy played out.

As Cynthia recounted the aftermath of this for her and her business partner, she slowed down and said:

> Unfortunately, Bert, I didn't even know, he had a really bad drinking habit—I mean I knew but I didn't. He one day got drunk—this was after we closed the fund—on a bottle of vodka, went to his roof, and jumped right off. It was horrible. It still breaks my heart. Because his whole identity was around it [the hedge fund]. And if we had just hung on, we'd be making a bazillion.

Cynthia's former partner committed suicide after they shut down their hedge fund, which she attributed to his sense of identity in being a hedge fund manager.

When I asked Cynthia to elaborate on how Bert's identity became wrapped up in the business, she responded:

> Your identity? I'm a hedge fund manager! A hedge fund manager is like, "I've got money. I'm smart. I'm an elite. I've got huge clients. I'm like the Vanderbilts. I'm the anointed." There is really a lot of pride in the hedge fund business. And everybody was like friends of hedge fund managers. Because it was so clubby. It was fun though. So yeah, your identity was really tied into it. But that I think was true of any guy in this business. Definitely.

Bert's suicide reflects the fragility of *hedge*monic masculinity. While *hedge*monic masculinity confers high status, this status is contingent on success and blurs the boundaries between professional failures and personal shortcomings, because one's work is deeply tied to one's identity. When a hedge fund manger fails, his or her friends and family are often directly impacted, since it is common for investor funds to be sourced through personal ties.

The long-term outcomes for each hedge fund manager depended on their social networks. For Vincent, and Brian in Chapter 6, male-dominated networks cultivated through trust and loyalty provided a safety net that enabled them to achieve comparable success in the future. For Bert, it appears that the pressure of failing in front of his personal and professional networks sparked a deep depression, which reflects the painful consequences of complying with an ideology of *hedge*monic masculinity that confers a tenuous and fleeting status. Meanwhile, Cynthia transitioned into running her own hedge fund consulting firm, and Farrah never regained the same level of status in her career, which she attributed to not having the markers of high socio-economic status, specifically elite social and cultural capital.

CONTRIBUTIONS TO THE LITERATURE

The findings from this dissertation make three primary contributions to previous research. First, scholars have attributed the high incomes in finance to an ideology of risk: The high professional risks justify the high rewards (Ho 2009). Yet, I find that gender and race are central to this ideology, and I demonstrate how gender and race are embedded in the social organization of the financial services industry. The dominant discourses and ideologies that legitimize the employment insecurity and high earnings in finance simultaneously justify and naturalize a gendered and racialized social hierarchy.

Second, I build on previous research on gender and racial inequality in the financial services industry by showing how these discriminatory practices are part of a broader structural system of patrimonialism. This helps to account for how and why the "old boys' club" in finance persists from one generation to the next.

Third, this dissertation contributes to scholarship on economic inequality. A closer examination of the hedge fund industry reveals how the interactions, beliefs, and organizational context of this industry consolidate financial resources among an elite group of predominantly white men. By applying the theory of patrimonialism to this context, I demonstrate how gender and race influence the social organization of the industry and, therefore, impact the distribution of access to opportunities, rewards, and resources.

Patrimonialism provides insight into how gender and race, as forms of social inequality, are part of industry-wide mechanisms that allow earnings to grow and wealth to be consolidated in this industry. Whereas previous research often emphasizes the role of either income *or* wealth to understand the growth and durability of the "1 percent" (Harrington 2016), I examine the relationship between income and wealth in one industry. I find that the social processes within the workplaces of elite earners accounts for why high incomes may lead to the accumulation of wealth for some people but not for others.

The implications of these findings for inequality also pertain to studies of the U.S. and global elite. Previous research has contradictory findings on solidarity among elites. Mark Mizruchi (2013) identifies a socially and politically fragmented U.S. elite, while others attribute rising income and wealth to concentrated elite networks on a national and global scale (DiPrete, Eirich, and Pittinsky 2010; Harrington 2016; Kim, Kogut, and Yang 2015). A study of local elites finds that the most influential feature a high level of cohesion and less gender, racial, and class segregation (Cornwell and Dokshin 2014).

Focusing on one industry, however, reveals an interconnected—and potentially politically mobilized—financial elite where patrimonial structures engender relationships among white men and facilitate gender, racial, and class segregation, especially among the most influential members. This dissertation finds that gender and race, largely omitted from research on widening income and wealth inequality, facilitate the concentration of economic resources among the working rich.

LIMITATIONS AND FUTURE RESEARCH

This dissertation expands on the research on wealthy elites by examining mechanisms generating contemporary patrimonial structures in the U.S. financial sector; however, it does not examine the implications for the U.S. government. Future research might investigate the following broader political ramifications. First, hedge funds have a long history of collapsing currencies—as in the case of George Soros who "broke the Bank of England" by short-selling the British pound—and of causing international financial crises like those in Asia in the late 1990s (see Pitluck 2014). Second, the ties between government officials and Wall Street warrant additional investigation. Notable examples of politicians associated with Goldman Sachs include former Treasury Secretary Henry Paulson, former Head of the Securities and Exchange Commission Arthur Levitt, and former House Majority Leader Dick Gephardt. This trend extends to hedge funds as well. After Ben Bernanke completed his second term as Chairman of the Federal Reserve, he was appointed senior advisor to Citadel, a $25 billion hedge fund. Bernanke's predecessor, Alan Greenspan, has also worked as a consultant for several hedge funds. The revolving door between finance and the state persists today.

Third, hedge funds managers have become increasingly intertwined in international affairs. For example, hedge fund creditors led by billionaire Paul Singer of Elliott Management mobilized legal interventions to reclaim over nearly $100 billion of bonds lost in the 2001 Argentine default (Merle 2016). Singer targeted Argentine government assets, foreign exchange reserves, and prominent politicians' personal assets. In 2012, Singer seized an Argentine naval vessel to hold as collateral for the sovereign debt through an injunction made in the superior court of Ghana, where the vessel had landed (the ship was quickly released after intervention by the International Tribunal for the Law of the Sea). The U.S. Supreme Court ruling on behalf of the credit holders prompted a second Argentine default in 2014. Argentine President at the time, Cristina Fernández de Kirchner, accused the hedge funds of extortion of government funds.

These cases demonstrate the need for additional research to examine the broader implications of patrimonial networks within finance for the U.S. government and other political systems worldwide. More research is needed on the consequences of patrimonial allegiances for state regulation and for economic crisis and instability. A related line of research might examine other organizations engaging in familial or proto-familial patrimonial practices, perhaps in the nonprofit sector or even within government entities.

CONCLUSION

Patrimonialism reveals how gendered and racialized hiring, grooming, and seeding practices are crucial mechanisms restricting access to resources in the financial sector. This helps to explain why the top one percent is predominantly white and male (Keister 2014). The fortitude of patrimonial structures, like those on Wall Street, maintains elite white men's claim to resources and further entrenches inequality among future generations.

Growth in the hedge fund industry suggests a shift towards smaller firms funded through trust-based networks. The anti-bureaucratic sentiment espoused in the discourse of "flat" organizations, the contrarian ideals reflected in *hedge*monic masculinity, and the system of patrimonialism that organizes the industry are all responses to the risk and uncertainty that characterize contemporary financial markets. In contexts of heightened risk and uncertainty, people place their trust in stronger social ties, which justifies and naturalizes excluding others from the riches provided in this industry.

This leads me to believe that the social factors leading to the low numbers of women and minority men are not only indicative of how gender, race, and gender influence how people establish trust. This dissertation concerns a broader problem than the forces that prevent women and minority men from accessing the riches of the "1 percent." Rather, I argue that the arguably excessive incomes and wealth in this industry are the product of homogenous, patrimonial structures that establish and legitimize the domination of elite white men. This helps to account for the financial sector's role in recent trends in widening economic inequality. I hope that recognizing this will enable people to imagine alternatives that allow for a more fair and equitable distribution of resources in society.

Appendix

Name	Age	Gender	Race/Ethnicity	Education	Job Function
Albert	46	Man	White	PhD	Investment
Alyssa	25	Woman	White	BS	Investment
Amanda	33	Woman	White	BS	Sales
Ana	42	Woman	White	BA/BS	Sales
Andrew	39	Man	White	JD	Sales
Bob	47	Man	White	MBA	Investment
Bradley	26	Man	White	BS	Investment
Brian	54	Man	White	MBA	Investment
Craig	46	Man	White	PhD	Investment
Cynthia	59	Woman	White	BA	Sales
Deborah	53	Woman	White	PhD	Investment
Dennis	64	Man	White	BA	Service Provider
Diane	53	Woman	White	BA	Investment
Emily	46	Woman	White	MIS	Sales
Eric	38	Man	White	MBA	Support
Erica	31	Woman	White	BS	Sales
Farrah	48	Woman	White/Middle Eastern	BS	Sales
Fernando	32	Man	Hispanic	MBA	Investment
Giovanni	44	Man	White	MBA	Service Provider
Gita	39	Woman	Asian	MBA	Investment
Jamie	33	Man	Mixed Race	JD	Investment
Jay	34	Man	Hispanic	MS	Investment
Jeffrey	52	Man	White	BA/BS	Investment
Jennifer	45	Woman	White	MBA	Sales
Jerry	26	Man	Hispanic	BS	Investment
Julie	32	Woman	Asian	BA	Investment
Justin	47	Man	White	MBA	Investment
Karen	44	Woman	White	MBA	Investment
Ken	49	Man	White	BSBA	Investment
Kristen	34	Woman	White	BA/BS	Sales
Lisa	37	Woman	Asian	MBA	Investment
Manny	40	Man	Hispanic	BS	Investment
Margaret	29	Woman	Asian	BS	Investment
Matthew	43	Man	Black	BS	Investment

Name	Age	Gender	Race/Ethnicity	Education	Job Function
Matthew	43	Man	Black	BS	Investment
Melissa	28	Woman	White	BS	Sales
Michelle	43	Woman	White	BSBA	Sales
Natalya	38	Woman	White	PhD	Sales
Nicole	27	Woman	White	BSBA	Investment
Regina	37	Woman	White	MBA	Service Provider
Sasha	31	Woman	Black	BS	Sales
Scott	44	Man	White	JD	Sales
Sebastian	33	Man	White	BA	Sales
Steven	33	Man	Asian	BS	Investment
Vincent	54	Man	White	JD	Investment
William	54	Man	White	PhD	Contractor

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